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EMPIRE

C O M P A N Y L I M I T E D

ANNUAL REPORT 2000

FOCUSED *on our* STRENGTHS

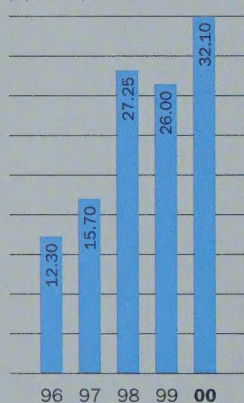
Focused on our Strengths

Empire's careful transition during the past two years has allowed the Company to focus on its strengths as never before. The acquisition of Oshawa and the successful integration of our food distribution business have created a formidable, national competitor – one that is trimming expenses, modernizing operations, and enhancing customer service. The impending sale of our 25% interest in Hannaford Bros. Inc. will ensure Empire's ability to support the growth and development of its core businesses while strengthening an already healthy balance sheet.

Corporate Profile

Empire Company Limited is a diversified Canadian company headquartered in Stellarton, Nova Scotia whose key businesses include food distribution, real estate and corporate investment activities. Guided by conservative business principles, our goal is to build long-term shareholder value through income and cash flow growth, and equity appreciation. We accomplish this through direct ownership and equity participation in businesses that have the potential for long-term growth and profitability. Empire is committed to continually reviewing the performance of these companies and assessing the industry, management and operations to ensure they fit our investment philosophy.

Share Performance
Empire Class A shares ⁽¹⁾
(\$ per share)



⁽¹⁾ Closing price at fiscal year ended April 30.

In the past five years, Empire's Class A shares have posted an annualized return of 20.0% compared to 16.9% for the TSE 300.

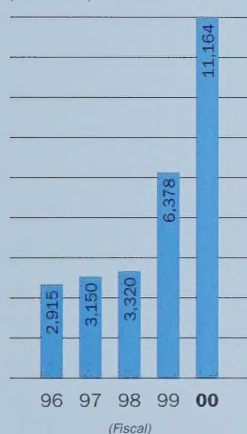
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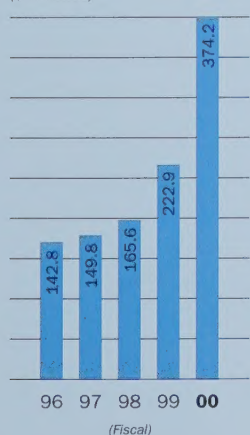
Financial Highlights

- Revenue increased by 75% to \$11.16 billion, primarily reflecting a full year of results from the combined Sobeys/Oshawa operations, versus 22 weeks last year.
- Operating income was up 68% to \$374 million.
- Earnings before net capital gains and other items reached \$84.7 million, a 41% increase.

**Total Revenue
Empire Company**
(\$ in millions)



**Operating Income
Empire Company**
(\$ in millions)



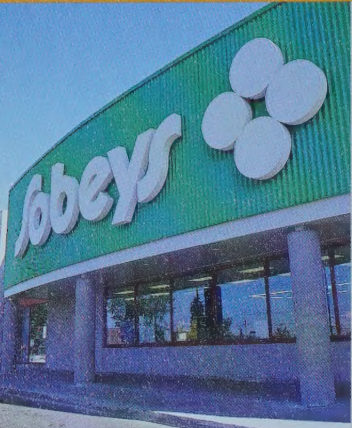
(\$ in millions, except per share amounts)

	2000	1999	Change
Operations			
Revenue	11,164.5	6,377.6	75.1%
Operating income	374.2	222.9	67.9%
Earnings before net capital gains and other items	84.7	60.0	41.2%
Capital gains, net of tax	2.1	24.1	(91.3%)
Other items	-	50.8	-
Net earnings	86.8	135.0	(35.7%)
Operating cash flow ⁽¹⁾	297.0	161.5	83.9%
Financial Position			
Total assets	4,171.1	4,023.5	3.7%
Shareholders' equity	602.8	737.7	(18.3%)
Per Share Information			
Earnings before goodwill charges, net capital gains and other items	2.52	1.71	47.4%
Earnings before net capital gains and other items	2.20	1.55	41.9%
Capital gains, net of tax	0.05	0.65	(92.3%)
Other items	-	1.35	-
Net earnings	2.25	3.55	(36.6%)
Operating cash flow ⁽²⁾	7.86	4.31	82.4%
Book value	17.45	18.06	(3.4%)
Dividends	0.2800	0.2725	2.8%
Share Price			
High	33.95	32.55	
Low	24.65	25.00	
Close	32.10	26.00	23.5%

(1) Operating cash flow before restructuring charges, net change in other current items and after preferred dividends.

(2) Before restructuring charges.

At-a-Glance



Food Distribution

Sobeys Inc., a 61%-owned subsidiary of Empire, is the second largest food distribution company in Canada and one of the largest in North America with annual revenues of more than \$11 billion. With 1,371 retail stores including popular banners such as *IGA*, *Sobeys*, *Foodland*, *Food Town*, and *Price Chopper*, spanning ten provinces, thousands of wholesale customers, a corporate and franchised retail distribution network that spans ten provinces, and *SERCA*, Canada's only national foodservice operation, Sobeys is realizing unprecedented economies of scale and abundant opportunities for growth in a consolidating industry.



Real Estate

Empire's Real Estate operation controls one of the largest portfolios of prime retail properties in Atlantic Canada through wholly-owned subsidiaries Atlantic Shopping Centres Limited (ASC) and Sobeys Leased Properties Limited (SLP). SLP's portfolio is primarily directed at supporting retail operations, while ASC's is a more diversified portfolio made up of enclosed shopping centres. The Real Estate operation owns and manages 12.0 million square feet of commercial property.



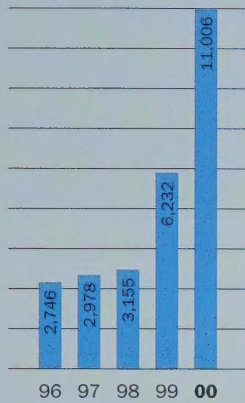
Investments

Empire manages an investment portfolio in excess of \$1 billion, the largest investment at year-end being a 25% interest in Hannaford Bros. Co. Subsequent to year end, Empire anticipates selling its Hannaford investment for a total consideration slightly in excess of \$1.0 billion Canadian dollars.

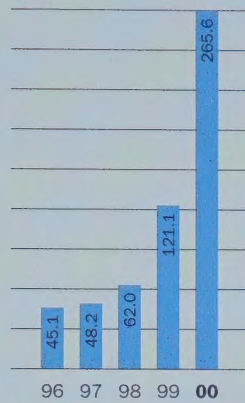
Empire's other operations consist of Empire Theatres, the leading movie exhibitor in Atlantic Canada with 117 screens in 19 locations.

Key Developments

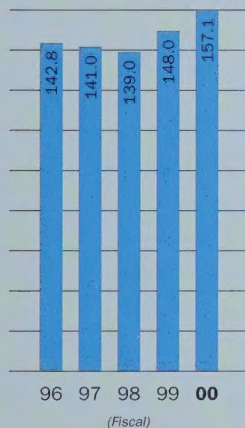
**Revenue
Food Distribution**
(\$ in millions)



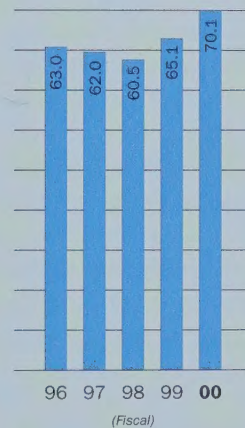
**Operating Income
Food Distribution**
(\$ in millions)



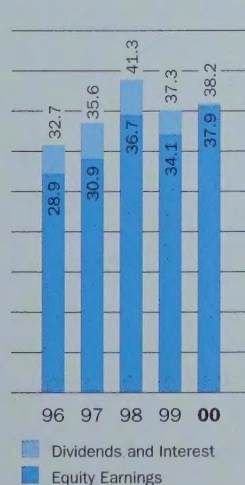
**Revenue
Real Estate**
(\$ in millions)



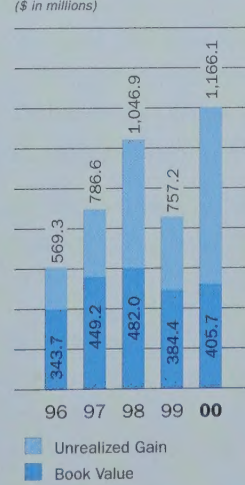
**Operating Income
Real Estate**
(\$ in millions)



Investment Income
(\$ in millions)



**Market Value of
Investments**
(\$ in millions)



- The company exceeded \$35 million in integration synergies and remains on target to achieve \$70 million in total annual savings by the end of fiscal 2001.
- Sobeys retired \$117.7 million in long-term debt during fiscal 2000.
- Completed the integration of the private label program, adding 60% more items to the *Our Compliments* and *Smart Choice* lines in the process.
- Completed the rollout of SAP, an enterprise wide management software system, in Atlantic Canada.
- Built 48 new or replacement stores and expanded or modernized 103 others in fiscal 2000.

- Steady occupancy levels and rising average lease rates contributed to record revenues and operating income during fiscal 2000.
- Major developments during fiscal 2000 included a 12-plex theatre project known as Studio 12 for Empire Theatres Limited in Avalon Mall, St. John's, Newfoundland, completion of a 100,000 sq. ft. Zellers store in New Minas, Nova Scotia, a new Sobeys food store at Sydney Shopping Centre, Nova Scotia, and the redevelopment of Fundy Trail Mall in Truro, Nova Scotia.

- Subsequent to year end, we anticipate the sale of our 25% equity interest in Hannaford Bros. Co. for a total consideration in excess of \$1.0 billion Canadian dollars. The total proceeds from the Hannaford sale are expected to be approximately US\$500 million in cash and 11.7 million Class A common shares of Delhaize America Inc.
- Announced intentions around the Hannaford sale proceeds are: (i) continuing to hold Delhaize Class A common shares; (ii) repay \$365 million in bank loans; and (iii) maintain a portfolio of liquid investments to augment the growth and development of our core businesses.
- Empire Theatres posted another year of record revenue, operating income and net income.

Letter to Shareholders

By almost any measure, fiscal 2000 was Empire's best year ever. We achieved record revenue, income from operations and cash flow while setting the stage for the continued growth and development of our core businesses in the years ahead.



Paul D. Sobey, President and CEO

The theme of last year's Annual Report – "A New Platform for Growth" – reflected the acquisition of The Oshawa Group Limited in December 1998 and the reintroduction of Sobeys Inc. into the public market. Sobeys has now successfully completed its first full year since this acquisition, and we are pleased to report that we have exceeded our own expectations based upon strong operational improvements and the achievement of all major targets associated with the effective integration of the former Sobeys/Oshawa businesses. Most importantly, we have successfully positioned Empire for long-term growth in its core food distribution business.

To further support that objective, on May 3, 1999 Empire advised Hannaford Bros. Co. that it would not be extending the "Standstill Agreement" which governed our 25% equity interest in the company. The reason for this decision, quite simply, was to provide us with more flexibility in realizing the inherent value of our investment. Subsequent events have shown it was the right course of action.

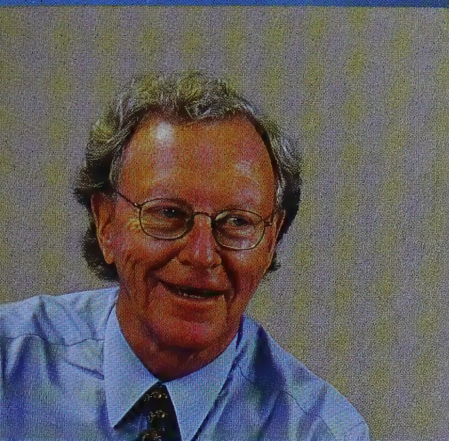
As previously announced, on August 17, 1999, Delhaize America Inc. (formerly Food Lion) and Hannaford entered into a merger agreement pursuant to which Delhaize will acquire all of the common shares of Hannaford. The actual sale of our 25% equity interest in Hannaford is expected to be completed subsequent to year end, and will result in Empire receiving approximately US\$500 million in cash and 11.7 million Class A common shares of Delhaize America Inc. for a total consideration in excess of \$1.0 billion Canadian dollars.

Empire's initial investment in Hannaford was made in 1979. Over the past 21 years we have enjoyed a cordial and prosperous relationship. We wish the management and employees of Hannaford continued success.

FOCUSED ON OUR STRENGTHS The Hannaford proceeds will allow us to remain focused on our strengths. We will repay \$365 million of short-term debt to enhance our financial flexibility. Empire incurred \$220 million in bank loans as a result of repurchasing 6.5 million Empire Class A common shares. The balance of the cash proceeds will be held through a portfolio of high quality, tradable investments to provide diversification and liquidity, while also augmenting the growth and development of our food distribution and related businesses.

The investment in Delhaize America, Inc. will be held as an investment in our portfolio. It is interesting to note that the market value of our position in Delhaize is worth almost as much as our stake in Hannaford was in 1994.

In the longer term, Empire will identify and invest in businesses where we can add tangible value directly or through subsidiaries. We have undertaken a special in-depth analysis of all aspects of our business to determine how our resources can be best deployed going forward. This process will be completed during fiscal 2001 and, as always, our strategic direction will



Donald R. Sobey, Chairman

be guided by conservative business principles with the goal of building long-term shareholder value through growth in income, cash flow and equity appreciation.

THE BENEFITS OF INTEGRATION Sobeys has made impressive progress in integrating the former Oshawa operations. In last year's report, the company identified \$35 million in annual integration savings that were to be achieved in each of fiscal 2000 and 2001. One year later, we are very pleased to report that Sobeys is ahead of target through consolidated purchasing, more effective supply chain management and integrated merchandising programs. Sobeys expects to achieve in excess of \$70 million in annual savings by the end of fiscal 2001.

Sobeys has made significant infrastructure investments necessary to maintain their earnings momentum. An SAP enterprise wide management software system has been fully installed in Atlantic Canada and is scheduled for rollout across Canada during the next fiscal year. An advanced warehouse management system, which fully integrates with SAP, has been installed in the company's Atlantic Canada operations. The system has also been extended to two state-of-the-art food distribution centres that were opened in the Greater Metropolitan Toronto area.

Sobeys' focus on infrastructure investment has not been at the expense of the retail sites. During fiscal 2000, a total of \$386 million was invested by the company, franchise owners and through third party financing of which \$270 million was directed at enhancing the retail network. Next year, total investment is expected to reach \$641 million, \$505 million of which will be directly committed to retail store projects.

Sobeys also operates Canada's only national foodservice business, *SERCA*, which provides groceries, produce and meat to restaurants and institutions. This sector of the economy is growing at a healthy rate and *SERCA* plans to capitalize on its leadership position. During the year, construction began on a 265,000 sq. ft. distribution warehouse in Mississauga, Ontario, which will rationalize the number of distribution centres in the province from 11 to five when completed in the Fall of 2000.

STRENGTH THROUGHOUT OUR OPERATIONS The Real Estate operation turned in another stellar performance in fiscal 2000. As a result of strong economic growth in Atlantic Canada, the superb efforts of management, a leading leasing team and the efforts of all employees, new records were posted for revenue, operating earnings and net earnings.

With the divestiture of Hannaford, our 48% ownership stake in Wajax will become the only equity-accounted investment in our portfolio. One of Canada's largest equipment distribution companies, Wajax's contribution to Empire's fiscal 2000 earnings increased by \$1.0 million as a result of better asset management and cost control.

Other operations include Empire Theatres, which had a superb year. Empire Theatres is the largest movie exhibitor in Atlantic Canada with 117 screens in 19 locations. During the year, the company opened three new locations including a 12-screen complex at Avalon Mall, St. John's, Newfoundland.

FINANCIAL RESULTS Consolidated revenues were up 75% to \$11.2 billion from \$6.4 billion last year. On a comparable basis – that is, assuming Oshawa operations had been part of our results for all 12 months of fiscal 1999 – revenues were still up an impressive 7.6%. This achievement is the result of strong growth in each of our food distribution, real estate and theatre operations.

Operating income reached \$374.2 million in fiscal 2000, an increase of \$151 million from fiscal 1999. The inclusion of 12 months of results of the former Oshawa operations compared to 22 weeks in fiscal 1999 accounts for the majority of the increase.

Earnings before goodwill charges, net capital gains and other items, increased 47% to \$96.7 million or \$2.52 per share in fiscal 2000. Net earnings before net capital gains and other items were ahead 41% to a record \$84.7 million or \$2.20 per share compared to \$60.0 million or \$1.55 per share last year.

THE YEAR AHEAD While fiscal 2000 was a banner year, we believe the best is yet to come. We expect Empire to achieve record cash flow and strong earnings growth in fiscal 2001. Growth in the Canadian economy is expected to exceed 4% during the next 12 months and within that favorable environment, the fundamentals in each of our businesses are strong and stable.


The cash proceeds from the Hannaford divestiture provide a source of funds to reduce debt and continue to invest in related businesses and other opportunities that further enhance shareholder value. At the same time, we will have more than adequate resources to finance the growth and development of our core businesses.

THE PEOPLE OF EMPIRE Our progress during the past year is the direct result of the contributions of more than 34,000 employees at Empire and its related companies. Thanks to their efforts, we have continued to meet the needs of our customers while positioning the Company for long-term growth in earnings and shareholder value.

We would also like to acknowledge the contributions of Tom Bleasdale, who will be retiring from the Board of Directors in September of this year. Empire has greatly benefited from Tom's presence during the past six years and we thank him for his counsel and guidance.

In December 1999, we welcomed Paul Beesley as Senior Vice President and CFO of Empire. Paul joined us with extensive financial management experience, most recently as Vice President and CFO of The Globe & Mail. He replaced Allan Rowe who is now focusing his full attention on Sobeys Inc. as that company's Executive Vice President and CFO.

Finally, on behalf of the entire board, we wish to also thank our customers and shareholders whose support is so essential to Empire's success.



Paul D. Sobey
President and CEO



Donald R. Sobey
Chairman



Focused *on our* Strengths



At Empire, our traditional approach to value creation has long been one of the company's key strengths. It consists of three basic responsibilities that include: (1) ensuring that we have the best management in place to run the businesses we own or invest in, (2) allocating capital in a manner which maximizes long-term sustainable value creation; and (3) continually monitoring the performance and potential of our businesses to ensure that our objectives are being met.

The December 1998 acquisition of Oshawa has proved to be highly consistent with this approach. Today, we are the majority owner of the second largest food distribution company in Canada, with \$11 billion in sales and operations from coast to coast. Such scale is a vital strength in an increasingly global industry. In the meantime, Sobeys management continues to enhance our return on this investment by capturing the synergies promised in last year's report.

Another of the company's key strengths is a conservative approach to financial management, as evidenced by prudent accounting policies and traditionally modest levels of net debt. Although our debt to capital ratio has increased over the prior year – mostly the result of bank loans incurred to fund Empire's buy-back of 5.5 million Class A common shares in March, 2000 – the pending sale of Hannaford Bros. Co. for an estimated \$1.0 billion has placed Empire in a position of unprecedented financial strength and flexibility. Today, we are blessed with the ability to support the growth and development of our core food distribution business while substantially improving an already healthy balance sheet.

Food Distribution

Empire's interest in the food distribution business consists of a 61% ownership position in Sobeys Inc. – the second largest food distributor in Canada in terms of sales, number of supermarkets and geographic presence, and the country's only national foodservice distributor.



Sobeys' enterprise-wide capital expenditures, including the contributions of franchisees and third-party financing, reached a record \$386 million.

RECORD RESULTS For the first time, Sobeys' revenues reached the \$11 billion mark, increasing 77% from the prior year. Fiscal 2000 includes a full 12 months of results from the former Oshawa operations compared to 22 weeks in the previous year. Sobeys was able to manage the complex task of merging two large organizations while posting a comparable sales increase of 2.6%, or 2.2 points in excess of food price inflation.

Operating earnings, before last year's restructuring and integration charges, grew 136% to reach \$176.7 million – primarily as a result of the impact of a full year of Oshawa's operations along with the company's new economies of scale and other integration synergies that were unleashed during the year. On the same basis, earnings before goodwill, which more accurately reflect the ongoing capacity of the business to generate profit, reached a record \$99.2 million. Net earnings reached \$80.2 million. Strong earnings growth is expected to continue given ongoing improvements in the company's management process and the opportunity for additional savings through integration.

INTEGRATION SAVINGS AHEAD OF TARGET To date, Sobeys has exceeded its initial target of \$35 million in fiscal 2000 cost savings. Most of this amount came from enhanced purchasing power, as well as numerous opportunities for improvement in merchandising and supply chain management. The company remains on target to achieve a cumulative \$70 million reduction in annual operating expenses by the end of the current fiscal year.

A STRONGER BALANCE SHEET Meanwhile, Sobeys made excellent progress in strengthening its balance sheet. Sobeys paid down \$117.7 million in long-term debt during the past year, despite the largest capital investment program in its history. The company's debt to equity ratio improved to 1.1:1 from last year's 1.5:1.

AN AMBITIOUS CAPITAL INVESTMENT PROGRAM While the acquisition of Oshawa presented substantial opportunities to lower cost through consolidation, its long-term benefits are far more promising. As one of the two major players in a rapidly consolidating industry, Sobeys is positioned to reap tremendous benefits through the expansion and modernization of its operations. During fiscal 2000, Sobeys spent \$270 million on the expansion and modernization of its store and distribution networks. Including contributions of the franchisees and third party financing, enterprise wide expenditures totaled \$386 million.

As expected, the majority of capital activity was focused on Ontario where past investment had not kept pace with the company's other geographic regions. During the year, the Ontario region completed the expansion of the Milton distribution centre and the construction of a similar, 420,000 sq. ft. facility in Whitby. These state-of-the-art, multi-temperature facilities replace three older facilities and are expected to save \$14 million annually in distribution expenses while greatly enhancing supply logistics. A new 265,000 sq. ft. warehouse for the company's foodservice operation, SERCA, will complete the consolidation of the Ontario



The Sobeys "superstore" format caters to time-pressed shoppers with extensive prepared meal departments and services such as in-store pharmacies, banking and dry-cleaning.

distribution network – from 11 centres last year to five – providing *SERCA* Ontario customers with high-quality handling of products destined for their use.

At the same time, Sobeys has begun to expand and improve its store network, especially in Ontario. During fiscal 2000, Sobeys completed the construction of 48 new or replacement stores and expanded or modernized an additional 103 locations, mostly in support of the *IGA*, *Sobeys* and *Price Chopper* banners.

Next year, with the modern distribution network now in place across the country, the investment in Sobeys store network continues in earnest. The company has earmarked total system wide spending of \$641 million or about 6% of sales, over 78% of which will be directed toward the store network.

Building activity is expected to include 52 new stores, the replacement or enlargement of 22 others and more than 600 renovation projects. Once again, most of our investment will be centred on the *IGA*, *Sobeys* and *Price Chopper* banners within the context of the company's multi-banner strategy.

A BANNER FOR EVERY MARKET SEGMENT Essentially, Sobeys' multi-banner strategy is aimed at deploying each of the company's banners in a complementary relationship that maximizes sales and profitability in each market while minimizing direct competition between its own operations. The key to making this strategy work is to provide distinct value propositions for each consumer segment in the market.

For instance, a growing number of the company's 133 *Sobeys* corporate stores are full-size supermarkets aimed at customers who demand wide assortment and full service in a modern, pleasant atmosphere. At up to 60,000 sq. ft. this "superstore" format features farm-fresh produce, full-line bakeries, extensive prepared meal selections, and other services such as in-store pharmacies, dry-cleaning and banking.

The company's 545 *IGA* stores are designed to meet the needs of suburban and mid-sized communities. At 15,000 to 45,000 sq. ft., *IGA* is a "neighborhood" store banner, with an emphasis on fresh departments and the kind of personalized service that appeals to discriminating customers. During the past year, the modernization of our *IGA* network included the expansion of the *Garden Market* format with its emphasis on appealing fresh departments in 72 stores.

Price Chopper is a 20,000 to 40,000 sq. ft. "discount" format aimed squarely at the needs of the most price sensitive shoppers in medium to large size urban markets. This banner offers a full range of departments and succeeds in underpricing traditional supermarkets with a functional store design and a low cost operating approach.

In addition, the company reaches the rural market through banners such as *Foodland*, *Knechtel*, *Food Town* and *Les Marchés Tradition*. We also serve the distinct convenience market through banners such as *Green Gables*, *Needs* and *Boni Choix* as well as hundreds of affiliated and independent operators across Canada.

STRONGER SUPPORT SYSTEMS During the past year, Sobeys made excellent progress in supporting the development of each of these banners. As expected, technology played a central role. The company's new SAP enterprise wide information system, developed in partnership with IBM, is now operational in Atlantic Canada where it is enabling a number of important initiatives in purchasing, merchandising, accounting and supply chain management. Rollout

of the system into Quebec, Ontario and western Canada will be completed within the next 12 months with the foodservice operation scheduled for conversion in fiscal 2002.

CATEGORY MANAGEMENT One of the most important benefits of the enterprise-wide network is the kind of information that is aiding the company's category management program. Also aided by point-of-sale technology that has been installed in many of the company's operations, category managers are able to gain insights into consumer preferences and shopping habits as never before. Basically, category management approaches our business from the perspective of consumers. It provides a framework to consider the impact of all buying and merchandising decisions within the context of probable consumer behavior.

Category plans have been built and executed for all banners in Atlantic Canada and results to date have been positive. The program, which will ultimately include more than 250 categories, is scheduled for rollout over a two-year period.

BETTER LOGISTICS Advanced technology is also playing a roll in many other productivity enhancing initiatives. Coincident with the modernization of Sobeys' warehouse network, the company has taken the opportunity to install advanced EXE logistics management software. Readily integrated with Sobeys enterprise-wide information system, EXE automatically directs and monitors the movement of product throughout the warehouse, resulting in faster throughput and lower costs.

During the past year, Sobeys addressed the challenge of consolidating its private label programs, taking the opportunity to pick the best from each and saving millions in annual procurement costs in the process.

BETTER VALUE While cost savings are an important part of the value proposition, Sobeys also continues to develop a range of new products and services for its customers. One of the best examples is the company's private label program. During the past year, Sobeys addressed the challenge of consolidating its private label programs, taking the opportunity to pick the best from each while providing a better value proposition for the customer. At year-end, Sobeys had expanded the *Our Compliments* and *Smart Choice* programs by 60% to 2,369 items.

While customers appreciate a level of quality equivalent to or better than national brands at significantly less cost, the benefits of a thriving private label program for Sobeys include enhanced margins and a unique product offering. The company sees significant opportunity for growth in private label and plans to introduce more than 1,000 items over the next two years.

A NATIONAL FOODSERVICE COMPANY Sobeys' foodservice operation, *SERCA*, posted record financial results during the past year while advancing its position as the largest and only national foodservice company in Canada. Due in large part to the impact of a full year of Oshawa results, revenue reached 96% to \$2.1 billion and operating income rose by 92% to \$33.8 million, respectively. Following the integration of the former foodservice operations, the consolidation and modernization of the Ontario distribution network and the expansion of a private label program, *SERCA* is better positioned than ever to meet the needs of its customers from coast-to-coast.

Real Estate

Empire's 12.0 million sq. ft. real estate portfolio provides the company with a number of important benefits, including earnings stability and diversification. In fiscal 2000, the Real Estate operation contributed a record \$70.1 million in operating income, up 8% from the previous year.



More than 30 percent of the Real Estate division's total square footage is leased to an Empire-related company.

REAL ESTATE'S STRATEGIC VALUE While the Real Estate operation's portfolio is an excellent investment in its own right, it also helps to create significant synergies within Empire and its related businesses. For our Real Estate operation, it provides top-quality anchor tenants and a stable source of revenue and cash flow. For our retail operations, it provides the flexibility to expand or modify properties in response to changing market conditions.

Empire's real estate assets are owned and managed through two wholly-owned subsidiaries: Atlantic Shopping Centres Limited (ASC) and Sobeys Leased Properties Limited (SLP). As the largest real estate company in Atlantic Canada, ASC is focused on the acquisition, development and management of enclosed shopping malls and mixed-use, retail and office complexes. SLP is engaged in the acquisition, development and financing of prime retail locations for free-standing Sobeys stores and attached shopping plazas. In total, the Real Estate operation's portfolio consists of 84% retail space and 16% office space.

During the year, the Real Estate operation also assumed management of all non-operating food store real estate from the former Oshawa Group and is overseeing the disposition of these and other non-strategic assets throughout the country.

Thanks to buoyant economic conditions in Atlantic Canada, continued strength in the commercial real estate market, sound management and dedicated employees, both Real Estate subsidiaries contributed a record performance in fiscal 2000.

ATLANTIC SHOPPING CENTRES ASC's real estate portfolio consists of 31 shopping centres with a gross leasable area of 5.9 million square feet and 12 mixed-use office buildings with a gross leasable area of 1.6 million square feet.

In fiscal 2000, ASC's performance was aided by continuing improvement in average lease rates. Vacancy rates were relatively stable at 9.2% compared to 8.9% one year ago. The company's results also benefited from the May 1, 1999 opening of the MTT Call Centre in our Scotia Square, Halifax property. Scotia Square contains the largest concentration of corporate call and data centres in the region. Between Halifax and Moncton, ASC leases more than 350,000 sq. ft. of call centre space to the Canadian Imperial Bank of Commerce, the Bank of Nova Scotia, Purolator, ICT Group Incorporated and several other companies.

ASC results also began to reflect an increase in gross revenue that has come from new tenancies at our shopping centres. Major new anchors include: *Zellers* at Sydney Shopping Centre and Amherst Centre, *Business Depot* at Fredericton Mall and Downsview Mall, and *Sobeys* at County Fair Mall, Amherst Centre and Sydney Shopping Centre.

The Real Estate division undertook a number of new developments during the year including: the conversion of the Fundy Trail Mall in Truro, N.S. into a strip centre; the completion of a major expansion for *Zellers* at our property in New Minas, N.S.; the completion of a new *Sobeys* food store at Sydney Shopping Centre, Sydney, N.S., and the construction of a new 12-plex cinema for *Empire Theatres* at Avalon Mall, in St. John's, Nfld.

It is also worth noting that the demise of *Eaton's* had a minimal effect on the company. The single *Eaton's* tenancy in the portfolio – at Highfield Square in Moncton, N.B. – was replaced by a new *Bay* store soon after its departure.

Sobey Leased Properties – whose portfolio consists mainly of freestanding food stores and attached shopping plazas – also achieved record results in fiscal 2000 thanks to continued growth in the food distribution business.

SOBEY LEASED PROPERTIES Sobey Leased Properties – whose portfolio consists mainly of freestanding food stores and attached shopping plazas – also achieved record results in fiscal 2000. Vacancy rates decreased to 4.4% from 5.4% one year earlier as a result of increased leasing activity.

During the past year, most of SLP's building activity was focused on Atlantic Canada with the addition of 310,000 sq. ft. in new retail space, including the acquisition of two shopping plazas in St. John's, Nfld.

With the addition of an extensive food distribution network in central and western Canada, SLP has the opportunity to continue to profitably grow its business. SLP's intention is to continue to support the expansion of *Sobeys* where it is financially and strategically advantageous to do so.

Investments and Other Operations

The third major component of Empire's business - investments and other operations - achieved excellent growth in market value during the year, largely reflecting the imminent sale of our 25% interest in Hannaford Bros. Co. to Delhaize America, Inc.



With 117 screens in 19 locations, Empire Theatres is the largest movie exhibitor in Atlantic Canada.

SALE OF HANNAFORD TO DELHAIZE AMERICA The Hannaford sale transaction is expected to generate more than \$1.0 billion (approximately US\$500 million in cash and 11.7 million Class A common shares of Delhaize America). As a result, Empire will be well positioned to support the growth and development of our core businesses while still retaining a valuable stake in the U.S. food distribution business.

Our pending interest in Delhaize America Inc. will provide another opportunity to enhance the value of our portfolio as the industry consolidates south of the border. Part of Belgium-based Delhaize "The Lion" Group, Delhaize America Inc. will be the fifth largest food distribution company in the United States after merging with Hannaford.

WAJAX LIMITED Empire's 48% equity interest in Wajax Limited will soon represent the only equity-accounted investment in the company's portfolio. Wajax is engaged in the sale and after-sales parts and service support of mobile equipment, industrial components and diesel engines through an extensive network of branches across Canada and the northwestern United States.

For its fiscal year ended December 31, 1999, Wajax reported net earnings of \$4.0 million versus \$9.5 million the prior year. Relatively low commodity prices that prevailed well into 1999 impacted the profitability of each of Wajax's core businesses.

With respect to Wajax's current fiscal year, we believe the company is well positioned for significant earnings improvement. Higher commodity prices and increased activity in the Canadian resource sector bode well for the company in the year ahead. In addition, the company's management team is more focused on shareholder value than ever before. They are managing working capital more effectively and are reducing debt while positioning the company for continued leadership in the highest growth areas of its business.

Empire has already begun to see the benefit from these initiatives, with the contribution to Empire's earnings from Wajax in fiscal 2000 up \$1.0 million over the prior year.

OTHER OPERATIONS Empire's other operations consist of wholly-owned Empire Theatres Limited, the largest movie exhibitor in Atlantic Canada with 117 screens in 19 locations. Largely as a result of focused management and the keen efforts of its dedicated employees, Empire Theatres continued to contribute positively to Empire's results in fiscal 2000, posting new records for revenue, operating income and net income.

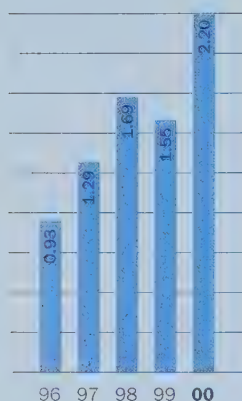
Empire Theatres continues to modernize its circuit with the opening of three new locations in fiscal 2000, including a 12-screen complex at Avalon Mall, St. John's, Newfoundland. Developments in fiscal 2001 include the opening of a new "Studio 5" theatre complex in Summerside, P.E.I. and in Miramichi, N.B., with further announcements to come.

Management's Discussion and Analysis

This section of the annual report provides management's discussion and analysis of the financial condition of Empire Company Limited and its financial performance for the year ended April 30, 2000 with a comparison to the year ended April 30, 1999. As part of this discussion, we assess the outlook of each business segment, the financial condition of the company, and the impact of risks. This discussion should be read in conjunction with the consolidated financial statements, including the notes that accompany them, found on pages 26 to 37.

In comparing fiscal 2000 to fiscal 1999, it should be noted that for the first 30 weeks of fiscal 1999, Empire's food distribution business was operated through Sobeys Capital Inc., then a wholly owned subsidiary of Empire. As a result of a restructuring in connection with the acquisition of The Oshawa Group Limited ("Oshawa"), effective December 1998, the food distribution business (including that of Sobeys Capital Inc. and Oshawa) now operates through Sobeys Inc., which is approximately 61% owned by Empire. Accordingly, results for the first 30 weeks of fiscal 1999, reflect 100% ownership of Sobeys Capital Inc., while for the last 22 weeks of fiscal 1999, and all of fiscal 2000, reflect 61% of Sobeys Inc.

**Earnings Before
Net Capital Gains and Other Items
Empire Company**
(\$ per share)



CONSOLIDATED RESULTS Earnings before net capital gains and other items reached \$84.7 million in fiscal 2000, an increase of \$24.7 million or 41% from last year's \$60.0 million, calculated on the same basis. On a per share basis, earnings before net capital gains increased 42% to \$2.20 per share in 2000, from \$1.55 per share in 1999. Including net capital gains of \$2.1 million in 2000, primarily as a result of the sale of liquid investments, and \$24.1 million last year, again primarily as a result of the sale of liquid investments, earnings before other items amounted to \$86.8 million (\$2.25 per share), an increase of \$2.7 million or 3% over last year's \$84.1 million (\$2.20 per share).

Two other items occurred in fiscal 1999 that impacted net earnings: (i) a dilution gain on the issuance of common shares by Sobeys in the amount of \$79.9 million or \$2.13 per share; and (ii) Empire's share of a net restructuring charge taken by Sobeys in the fourth quarter of 1999 equal to \$29.1 million or \$0.78 per share. These one-time items in fiscal 1999 were in connection with Sobeys' acquisition of The Oshawa Group in December 1998. Factoring in these other items for fiscal 1999, Empire's net earnings in fiscal 2000 amounted to \$86.8 million (\$2.25 per share), a decrease of \$48.2 million from last year's \$135.0 million (\$3.55 per share).

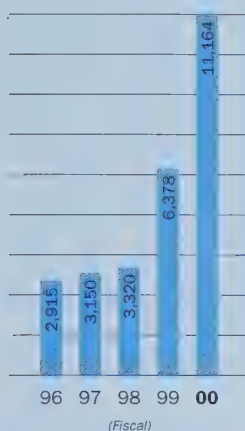
The table below presents Empire's earnings per share before goodwill charges, net capital gains and other items, as well as the earnings per share contribution from net capital gains and from other items.

CONSOLIDATED EARNINGS PER SHARE

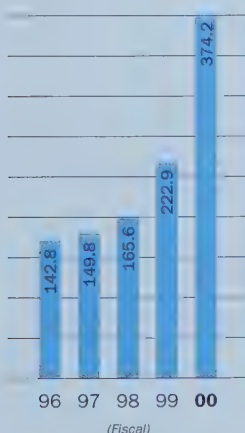
	2000	1999
Earnings before goodwill charges, net capital gains and other items	\$ 2.52	\$ 1.71
Earnings before net capital gains and other items	2.20	1.55
Net capital gains	0.05	0.65
Earnings before other items	2.25	2.20
Other items:		
Dilution gain on issue of common shares by subsidiary	-	2.13
Share of restructuring and integration costs by subsidiary	-	(0.78)
Earnings per share	\$ 2.25	\$ 3.55

The weighted average number of shares outstanding for earnings per share calculation purposes was 37.8 million for fiscal 2000, compared to 37.5 million for fiscal 1999. Total common shares outstanding at the end of fiscal 2000 were 32.8 million, a decrease of 6.3 million common shares from the 39.1 million common shares outstanding at the end of fiscal 1999. The reduction in common shares outstanding from the prior year is attributable to two events: (i) a normal course issuer bid which expires August 26, 2000 under which the Company bought back 974,850 Class A

**Total Revenue
Empire Company**
(\$ in millions)



**Operating Income
Empire Company**
(\$ in millions)



common shares at prevailing market prices during fiscal 2000; and (ii) a substantial issuer bid completed by the Company in March 2000 which resulted in the buyback and cancellation of 5,503,900 Class A common shares.

The funding requirement for the substantial issuer bid, equal to \$187 million, was facilitated by way of a bank loan that will be repaid at the earlier of September 30, 2000 or upon closing of the sale of Empire's ownership interest in the common shares of Hannaford Bros. Co. The Hannaford sale consideration will consist of approximately \$500 million US cash, and approximately 11.7 million Class A common shares in Delhaize America, Inc. At current exchange rates, the value of the total consideration to be received by Empire will be slightly in excess of \$1.0 billion in Canadian funds.

As previously noted, Empire's fiscal 2000 earnings before net capital gains and other items increased by \$24.7 million or 41% over the prior year. The composition of the \$24.7 million (\$0.65 per share) increase in earnings before net capital gains and other items over last year is as follows:

Food Distribution's contribution to Empire's operating earnings equaled \$49.3 million in 2000, an increase of \$22.7 million or 86% from the \$26.5 million contribution recorded in 1999. The significant increase in contribution from Food Distribution operations from the prior year is primarily attributed to the following: (i) the benefit of having a full year of operating earnings from the combined Sobeys Inc. business, versus 22 weeks the prior year; (ii) achievement of the \$35 million in synergies targeted for the first year, in connection with the Sobeys/Oshawa merger that was consummated in December 1998; and (iii) the benefits accruing from more than \$100 million reduction in managed working capital since the acquisition date.

Real Estate's contribution to Empire's operating earnings increased by \$1.8 million or 32% in fiscal 2000 from the prior year. This increase is due to a 6% rise in rental revenues and a 100 basis point reduction in the operating cost to revenue ratio from the prior year.

Investments contribution to Empire's earnings (before net capital gains) increased by \$2.3 million or 7% from the prior year. The increase is primarily attributed to continued growth in equity accounted earnings contribution from Empire's investment in Hannaford Bros. Co.

Other Operations contribution to Empire's operating earnings increased by \$0.8 million or 41% from the prior year. This increase is primarily the result of strong revenue growth and effective expense control at wholly owned Empire Theatres Limited.

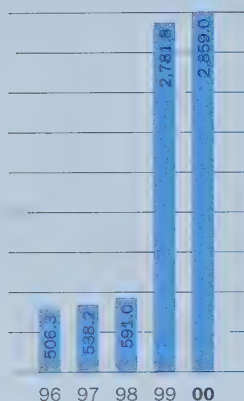
Corporate expenses amounted to \$8.6 million in 2000, a \$2.9 million increase from the prior year primarily as a result of the additional interest expense associated with funding the buyback of Empire Class A common shares during the year.

The following table presents revenue and operating income for the last two years for each of the three business operations comprising Empire Company Limited.

(\$ in millions)	2000	1999	Change
Revenue			
Food Distribution ⁽¹⁾	\$ 11,006.1	\$ 6,231.8	76.6%
Real Estate	157.1	148.0	6.1%
Investment and Other	46.0	38.1	20.8%
Inter-segment elimination	(44.7)	(40.3)	10.9%
	\$ 11,164.5	\$ 6,377.6	75.1%
Operating Income			
Food Distribution ⁽¹⁾	\$ 265.6	\$ 121.1	119.4%
Real Estate	70.1	65.1	7.7%
Investment and Other	44.0	41.7	5.3%
Corporate	(5.5)	(5.0)	9.5%
	\$ 374.2	\$ 222.9	67.9%

(1) Fiscal 1999 for food distribution reflects Sobeys Inc. operations for 22 weeks.

Assets
Food Distribution
(\$ in millions)



Revenues increased 75% in fiscal 2000, to \$11.1 billion, an increase of \$4.8 billion over fiscal 1999, primarily as a result of the inclusion of Sobeys Inc. revenues for the full fiscal year versus 22 weeks last year. Same store sales for all banners grew by 2.6% in fiscal 2000, relatively consistent with 1999 same stores sales growth for all banners of 2.9%.

In fiscal 2000, operating income reached \$374.2 million compared to \$222.9 million in the prior year, an increase of \$151.3 million or 68%. The increase is primarily attributable to the inclusion of Sobeys Inc.'s operating income for the full fiscal year versus only 22 weeks last year, along with continued growth in the balance of our food distribution business and operating income growth from our real estate business. With respect to our investments and other operations, Empire realized a \$2.8 million increase in earnings contribution from its investment in Hannaford Bros. Co. in fiscal 2000. The earnings contribution from Wajax Limited increased by \$1.0 million from the prior year. Operating income from other operations increased by \$1.3 million from the prior year, reflecting improved performance at Empire Theatres.

FOOD DISTRIBUTION Our food distribution business is carried on through our 61% ownership interest in Sobeys Inc., the second largest food distributor in Canada in terms of sales (\$11.0 billion), number of corporate and franchised stores (1371 stores) and geographic presence, and Canada's only national foodservice distributor. Prior to December 1998, Empire owned 100% of Sobeys Capital Inc., which consisted primarily of 114 corporate supermarkets operating under the *Sobeys* banner along with a franchised retail and foodservice business. The majority of food group revenues prior to the acquisition were linked to Atlantic Canada.

In fiscal 2000, Sobeys Inc. accounted for 98.6% of Empire's operating revenues and 71.0% of operating income. Sobeys Inc. revenue and cash flow base is diversified across Canada.

Food distribution revenue increased 76.6% in fiscal 2000 to reach \$11.0 billion, an increase of \$4.8 billion over fiscal 1999 results. After adjusting fiscal 1999 to include Oshawa revenues for the full year, the year-over-year sales growth rate would have been 7.6%. Net square footage increased by 2.8% or 424,164 square feet during the year.

Operating income for the year increased by \$144.5 million or 119%, reaching \$265.6 million or 71.0% of Empire's total operating income. The effect of including the Oshawa results for the full year versus 22 weeks last year accounted for the majority of this increase. The remaining increase in operating income is attributable to a combination of higher sales volume, an increase in margins and lower operating expenses.

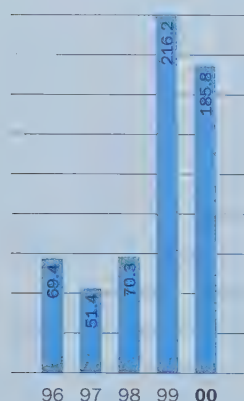
At year-end, Sobeys operated 419 corporate stores and 952 franchised stores as well as 25 food distribution centres and 27 foodservice operations. Of the corporate stores, 133 operate under the *Sobeys* banner and 38 stores operate under the *IGA* banner. The largest franchised banner is *IGA*, with 507 franchised stores. The proportion of retail store square footage by region across Canada is as follows: 17.7% Western; 33.4% Ontario; and 48.9% Eastern (includes Quebec).

Food Distribution Outlook Sobeys' outlook for the Food Distribution operation is positive primarily as a result of planned benefits accruing from more efficient distribution, centralized buying, administrative and corporate cost reductions, continued private label development, enhanced merchandising techniques, and ongoing corporate store and franchised development programs.

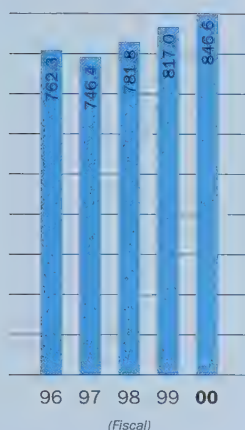
Sobeys' integration model was based on the realization of \$35 million in pre-tax integration savings from the Oshawa acquisition in fiscal 2000 and a total savings of \$70 million pre-tax by the end of the following year. Sobeys has exceeded its first year target of \$35 million and expects that it will meet the annual \$70 million target by the end of fiscal 2001.

The outlook for revenue is strong primarily due to a planned program of new store openings and renovations/expansions, as well as the continued growth of the existing corporate and franchised store base, and planned volume increases in the foodservice business.

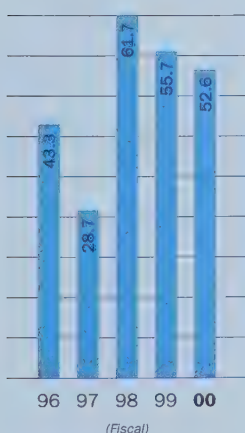
Capital Expenditures
Food Distribution
(\$ in millions)



**Assets
Real Estate**
(\$ in millions)



**Capital Expenditures
Real Estate**
(\$ in millions)



Planned system wide spending for fiscal 2001 is \$641 million. Sobeys Inc. expects to open 52 new stores, replace 22 older stores, and conduct 99 major renovations and 556 minor renovations in fiscal 2001. Capital activity includes: \$181 million on new and replacement store construction, \$134 million on renovations, \$57 million related to information technology and SAP systems development, \$53 million related to SERCA foodservice, and over \$200 million related to franchisee and third party financing.

Management is confident that this spending level, along with various initiatives designed to build on core competencies in areas such as: category management, systems, private label brands, banner positioning, and customer loyalty programs will result in significant earnings growth in future years.

REAL ESTATE The Real Estate operation is primarily focused on the acquisition, development and management of a portfolio of properties that complements or supports Empire's Food Distribution and other retail operations.

Empire's real estate operations have 12.0 million square feet under management versus 11.5 million square feet the prior year. Operations are conducted through 100%-owned Atlantic Shopping Centres (ASC) and 100%-owned Sobeys Leased Properties (SLP). ASC's portfolio consists of 31 shopping centres with a gross leaseable area of 5.9 million square feet and 12 mixed-used office buildings with a gross leaseable area of 1.6 million square feet. SLP's portfolio consists mainly of freestanding food stores and attached shopping plazas having a total gross leaseable area of 4.5 million square feet.

The Real Estate operation contributed \$70.1 million or 18.7% of Empire's total operating income in fiscal 2000, up 7.7% from \$65.1 million in fiscal 1999. This improved performance reflects development activities and higher net effective rental rates. Operating cash flow for the Real Estate operation increased by 4% in 2000, to reach \$32.7 million, equivalent to 11% of total Empire operating cash flow.

The occupancy rate as at April 30, 2000 was 91.8%, compared to 91.9% a year earlier. While the occupancy rate has been relatively stable over the last four quarters, an additional 571,000 square feet was leased during the year. This included the leasing of a 120,000 square foot space to Hudson's Bay to replace a vacated Eaton's store in Moncton, New Brunswick. No other company-owned properties were affected by the demise of Eaton's. Over the next five years no more than 9% of total leased space comes up for renewal in any one year.

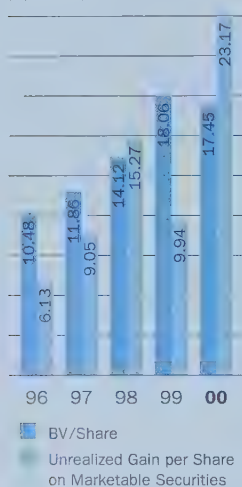
At Empire's fiscal year end, the real estate portfolio consisted of 84% retail space and 16% office space. More than 30 percent of total square footage is leased to an Empire related company. This degree of integration creates strategic advantages for both landlord and tenant. For the retail operations, it provides added flexibility to expand or modify properties in response to competitive developments. For real estate operations, it provides top-quality anchor tenants for our shopping centres, as well as a stable source of rental revenue and cash flow.

Major developments during fiscal 2000 included: (i) a 12-plex theatre project known as Studio 12 for Empire Theatres Limited at Avalon Mall, St. John's, Newfoundland; (ii) completion of a 35,000 square foot expansion to a Zellers store at County Fair Mall, New Minas, Nova Scotia; (iii) completion of the conversion of Fundy Trail Mall in Truro, Nova Scotia to a strip centre; and (iv) a new Sobeys food store at Sydney Shopping Centre, Sydney, Nova Scotia.

In January 2000, Atlantic Shopping Centres completed long term debt refinancing of the Scotia Square property, Barrington Place, and the CIBC building — all located in downtown Halifax. The total refinanced amount was \$83.1 million by way of first mortgage bonds at an average fixed rate of 7.93%.

Real Estate's Outlook The Real Estate operation plans to continue to grow through development projects that support Empire's core food business. During the coming year the leasing team will

Book Value and Unrealized Capital Gains Empire Company
(\$ per share)



continue to aggressively pursue leasing opportunities. As a result, the unit occupancy level is expected to improve. Because of these factors Empire views the outlook for its Real Estate business as positive.

Going forward, the Real Estate operation will undertake additional redevelopments as required in order to strengthen its position in core markets. For example, the conversion of enclosed neighbourhood shopping centres to strip centres are planned for Downsview Mall, Lower Sackville and Aberdeen Mall, New Glasgow, both located in Nova Scotia.

INVESTMENTS & OTHER OPERATIONS The third component of Empire's business is its Investments, consisting of an investment portfolio of equities and investment in other operations, principally Empire Theatres Limited.

The investment portfolio is comprised of long-term investments where Empire has significant ownership interest in the company and other liquid investments where Empire has a smaller ownership interest. Equity accounting is used for designated long-term investments. Other liquid investments are accounted for by the cost method whereby Empire reports only the dividend and interest income received from the investment.

Long-term investments, which represented 99% of the market value of the total Empire investment portfolio at fiscal year end, consisted of common shares in Hannaford Bros. Co. and Wajax Limited respectively.

Market Value (\$ in millions Canadian)	Ownership Interest	As at April 30, 2000	Percent of Portfolio
Long Term Investments			
Hannaford Bros. Co. ⁽¹⁾	25%	\$ 1,116.1	95.7%
Wajax Limited	48%	35.0	3.0%
		1,151.1	98.7%
Other Investments		15.0	1.3%
Total Investments		\$ 1,166.1	100.0%

(1) The market value of Hannaford Bros. Co. reflects the closing Hannaford Share price on April 30, 2000, times the number of shares held by Empire, multiplied by the foreign exchange rate at April 30, 2000.

Hannaford Bros. Co. At year-end, Empire had a 25.6% equity interest in Hannaford, with a market value at fiscal year end of Canadian approximately \$1,116.1 million. Hannaford is a multi-regional food retailer that has operations throughout Maine, and in parts of New Hampshire, Vermont, Massachusetts, New York, Virginia and North Carolina. Retail food sales are made through the company's 140 supermarkets operating primarily under the names Shop'n Save and Hannaford Food and Drug Superstores.

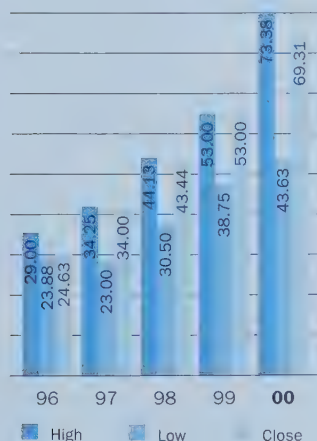
According to its annual report, Hannaford's 1999 (year ended is January 1, 2000 – all numbers are in US dollars) sales and other revenues amounted to \$3.46 billion, an increase of \$139.4 million or 4.2% over 1998. Identical store sales were up 1.1% for the year while comparable store sales were up 1.7%.

Hannaford reported net earnings of \$98.0 million (\$2.32 per share) in 1999, up 3.6% from the prior year's \$94.6 million. Before merger – related costs (after-tax) of \$6.4 million, net earnings in 1999 were up 10.4% over the previous year.

Net retailing selling space for its supermarkets increased 3.7% in 1999 to 5,360,000 square feet at year end, an increase of 189,000 square feet over 1998 year end sales area. During 1999, Hannaford opened four new food stores, expanded four existing stores and conducted major remodeling projects in a number of its stores.

In February 2000 Hannaford sold a majority interest in HomeRuns.com, Inc., its internet-based grocery delivery service. This business generated a net loss of \$0.25 per share in 1999.

Hannaford Common Stock Price
(\$ per share)



Wajax Limited Empire has a 48% equity interest in Wajax with a market value at April 30, 2000 of \$35.0 million. Wajax is comprised of three core distribution businesses engaged in the sale and after-sales parts and service support of mobile equipment, diesel engines and industrial components through a network of close to 150 branches across Canada and the western United States. Its customer base spans the natural resources, construction, transportation, manufacturing, industrial processing and utilities sectors.

For its fiscal year ended December 31, 1999, Wajax reported revenue of \$1,038.4 million, a \$46.2 million or 4.7% increase over the prior year.

Wajax 1999 net earnings equaled \$4.0 million, down 58% from the \$9.5 million recorded the prior year. This decline is primarily the result of depressed resource markets for most of 1999, particularly in forestry, oil and gas, and mining which affected the Company's businesses operating in western Canada. In the United States, Pacific North Equipment operated at a loss due to slower than expected improvements as operational changes were introduced, and market demand declined.

Subsequent to Empire's fiscal year end, on May 3, 2000, Wajax reported an increase in revenue for its first quarter of 10% and a \$1.9 million increase in net earnings from the first quarter last year. The Company is beginning to see the positive effects of business building and cost reduction initiatives that were put in place in 1999. As well, a healthier western Canadian economy is now contributing to improved performance.

Wajax management is optimistic in its outlook for 2000 as economic conditions, particularly in western Canada, continue to improve and as the Company continues to reduce its debt through better asset management.

Other Operations Other operations consist of wholly-owned Empire Theatres, the leading movie exhibitor in Atlantic Canada operating 117 screens in 19 locations. During the year, Empire Theatres opened eight new screens and completed renovations at two theatre locations.

INVESTMENT INCOME

(\$ in millions)	2000	1999	Change
Dividend and interest income	0.3	3.2	(89.2)%
Share of income of companies accounted for by the equity method			
Hannaford Bros. Co.	35.7	32.9	8.4%
Wajax Limited	2.2	1.2	87.4%
	37.9	34.1	11.1%
Total Investment Income	38.2	37.3	2.5%

Dividend and Interest Income was \$0.3 million compared to \$3.2 million in fiscal 1999. The decrease of \$2.9 million is attributed to the sale of liquid investments in the second quarter of the year.

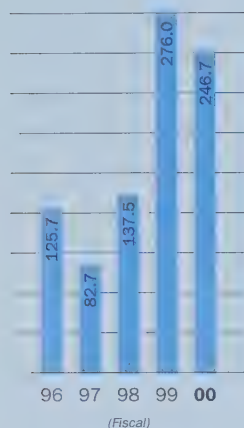
Net capital gains generated from the sale of investments, properties and other operations equaled \$2.1 million or \$0.05 per share in fiscal 2000, a decrease of \$22.0 million from last year's recorded net capital gains of \$24.1 million or \$0.65 per share.

UNREALIZED GAIN ON INVESTMENT PORTFOLIO

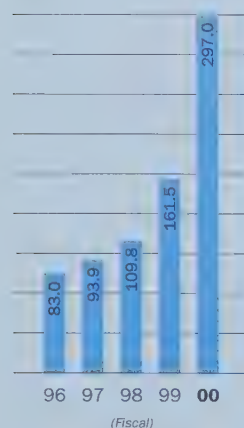
(\$ in millions)	2000	1999	Change
Market Value ⁽¹⁾	\$ 1,166.1	\$ 757.2	54.0%
Book Value	405.7	384.4	5.5%
Unrealized Gain	\$ 760.4	\$ 372.8	104.0%

(1) The market value of Hannaford Bros. Co. reflects the closing Hannaford Share price on April 30, 2000, times the number of shares held by Empire, multiplied by the foreign exchange rate at April 30, 2000.

**Capital Expenditures
Empire Company**
(\$ in millions)



**Operating Cash Flow
Empire Company**
(\$ in millions)



The unrealized gain on investments of \$760.4 million is not reflected in Empire's shareholders equity. The 104% increase in unrealized gain year-over-year is primarily due to the impact of the merger announcement of August 17, 1999 between Hannaford Bros. Co. and Delhaize America, Inc. The market value of Empire's investment in common shares of Hannaford Bros. Co. represented 96% of the investment portfolio market value at fiscal year end.

Investments and Other Operations Division Outlook The outlook for the investments and other operations division is positive. Management anticipates a closing date on the Hannaford merger prior to August 1, 2000. A total sale consideration of approximately \$1.0 billion Canadian is expected. This total consideration will consist of approximately US\$500 million cash plus 11.7 million common shares of Delhaize American Inc. Empire's intention for the Hannaford sale consideration is to: (i) hold the Delhaize Class A shares; (ii) repay \$365 million in bank loans; and (iii) maintain a portfolio of liquid investments available to augment the growth and development of food distribution and related businesses.

Concerning Wajax, the outlook is for improved earnings as economic conditions in its market territories continue to strengthen. Wajax's earnings are also expected to benefit from better asset management and systems development initiatives.

Specific to Empire Theatres, the outlook remains highly dependent on the quality and cost of films. As a result of the quality of film releases expected in fiscal 2001, an experienced management team, and planned screen development, Empire looks forward to continued growth in this business.

FINANCIAL CONDITION Total assets at year-end of \$4,171.1 million represents a \$147.6 million or 3.7% increase over fiscal 1999. This growth is primarily due to continued re-investment in our core food distribution business.

At April 30, 2000, management calculates Empire's consolidated net asset value at \$1,574 million (\$48.00 per Empire common share), an increase of \$267 million or 20% from a calculated consolidated net asset value at April 30, 1999 of \$1,307 million (\$33.40 per share). Management calculates that on a per share basis, net asset value has increased by \$14.60 per Empire share or 44% over the prior year. The table below presents the composition of value by division. This net asset value calculation values Sobey Inc. common shares and Hannaford Bros. Co. common shares at their respective April 30, 2000 market values. For each dollar increase in Sobeys (SBY) share price, Empire's net asset value increases by \$1.05 per share.

NET ASSET VALUE

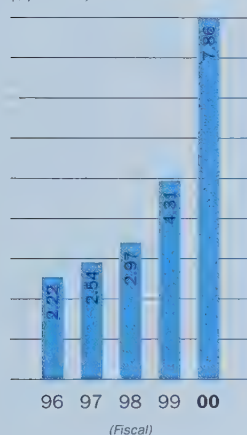
(\$ in millions)	April 30, 2000		April 30, 1999	
	\$ Value	% of Total	\$ Value	% of Total
Food Distribution	\$ 716	34%	\$ 644	40%
Real Estate*	196	9%	171	11%
Investments & Other**	1,191	57%	776	49%
	\$ 2,103	100%	\$ 1,591	100%
Less: corporate debt	(529)		(284)	
Net asset value	\$ 1,574		\$ 1,307	

* Valued at 7 times funds from operations for fiscal 2000 and fiscal 1999 respectively.

** Investments are valued at stated market values.

At April 30, 2000, the book value of Empire's common shares was \$17.45 compared to \$18.06 at April 30, 1999. The net asset value per share and book value per share calculations reflect the effect of a successful substantial issuer bid completed in March 2000, whereby Empire bought back

**Operating Cash Flow
Per Share ⁽¹⁾**
Empire Company
(\$ per share)



⁽¹⁾ 1999 operating cash flow per share is before restructuring charges.

5,503,900 Class A common shares at a price of \$33.95 per share, along with the effect of a normal course issuer bid announced in August 1999, wherein the Company has bought back close to one million Class A common shares.

Empire finances a significant portion of its assets through the use of debt, the majority of which is fixed rate and long term in nature. Total fixed rate, long-term debt at year-end was \$1,332.4 million, including the current portion of long term debt. Of this fixed rate long-term debt, 63% was directly related to the food distribution segment of Empire and 36% was directly related to the real estate segment of Empire. Empire finances its long-term assets with fixed rate debt, thereby reducing both interest rate and refinancing risk.

The table below presents the debt to total capital ratio and interest coverage ratio for each segment of Empire along with consolidated totals.

	Food Distribution	Real Estate	Investments and Other Operations	Total Empire
April 30, 2000				
Debt to total Capital*	53.1%	78.6%	37.9%	61.4%
Interest Coverage** (times)	2.99	1.35	2.05	2.35
April 30, 1999				
Debt to total Capital*	59.4%	79.0%	40.6%	63.4%
Interest Coverage** (times)	2.41	1.29	2.29	1.98

* Funded debt at book divided by total capitalization. Total capitalization excludes minority interest and deferred taxes. Total Empire debt to total capital ratio reduces debt by the market value of investments, net of estimated tax payable if sold.

** Operating income divided by interest expense.

Operating income increased by 68% in fiscal 2000 from the prior year, while interest expense increased at a slower rate, by 42%. The net effect served to increase Empire's overall interest coverage to 2.35 times from 1.98 times in fiscal 1999. Funded debt less estimated after-tax proceeds on the sale of marketable securities, to total capital, decreased by 2.0 percentage points to 61.4% from 63.4% last year. Total equity decreased by 18% in fiscal 2000, primarily as a result of repurchasing 6.5 million Class A common shares by the Company during the year. Total funded debt, net of cash and estimated after-tax proceeds on sale of marketable securities, equaled \$905 million at April 30, 2000, a decrease of \$346 million or 27% from \$1,251 million last year. In fiscal 2001, Empire is budgeting a decrease in debt to total capital and an increase in interest coverage.

Capital Expenditures In fiscal 2000, capital expenditures of \$246.7 million represented a decrease of 10.6% over fiscal 1999. The table below presents on balance sheet capital expenditures over the last two years by business segment.

(\$ in millions)	2000	1999
Food Distribution	\$ 185.8	\$ 216.2
Real Estate	52.7	55.7
Investments & Other	8.2	4.1
Total Capital Expenditures	\$ 246.7	\$ 276.0

Operating cash flow (after net change in other current items) of \$272.4 million funded fiscal 2000 capital expenditures.

For fiscal 2001, a combination of budgeted operating cash flow, existing current credit facilities, and third-party financing and operating leases, will be used to fund our planned fiscal 2001 direct capital spending program of \$475 million. This planned amount does not include targeted

spending by Sobeys franchises and landlords of \$181 million. The bulk of our capital budget will be to strengthen the corporate retail and franchised retail store network across the country. As projects are completed, appropriate long-term financing will be arranged in order to prudently match the duration of assets to debt, so as to minimize interest rate risk.

Liquidity Short-term liquidity remains strong as a result of internally generated cash flow, net cash on hand, bank credit facilities and short term investments. On a non-consolidated basis, Empire maintains authorized bank lines for operating, general and corporate purposes of \$555 million, of which 85% was utilized at year end.

Financial instruments are used from time to time to manage short-term interest rate fluctuations on underlying short term lines of credit.

At year-end, on a consolidated basis, the company maintained authorized bank credit facilities in excess of borrowings of \$398 million. The Company, at its option, can convert \$260 million of its authorized revolving-term credits into non-revolving fixed rate financing for a term up to 36 months.

Empire maintains direct access to capital markets for longer-term capital resources. The Real Estate operation generally structures its long-term obligations with fixed rates and fully amortizing debt to reduce interest rate and refinancing risk. The long-term financial flexibility of the Company is enhanced through access to capital markets. Empire maintains a corporate unsecured debt rating of BBB (stable) from CBRs and BBB (stable) from DBRS.

Subsequent to year end, on June 22, 2000, a subsidiary of the company, Sobeys Inc., filed a short form shelf prospectus to establish an unsecured medium-term notes program (MTN Program) which permits the issuance of up to \$500 million in medium-term notes (MTN's), from time to time. On June 29, 2000, Sobeys Inc. refinanced \$810 million in secured bank debt by: (a) issuing \$175 million unsecured medium term Series A MTN's with an interest rate at 7.6%, maturing November 1, 2005; (b) securitizing \$210 million in trade receivables and; (c) negotiating a non-revolving \$250 million unsecured bank credit facility to be repaid over five years and a \$300 million unsecured revolving bank credit facility. As a result of this refinancing, the pre-tax borrowing costs of Sobeys Inc. are expected to be reduced by approximately \$9 million per year.

ACCOUNTING POLICY CHANGES SUBSEQUENT TO FISCAL 2000 The CICA has issued two accounting standards, Section 3461 "Employee Future Benefits" and Section 3465 "Income Taxes" effective for fiscal years beginning on or after January 1, 2000.

Section 3461 will redefine the way the cost of employee future benefits, including pension and other retirement and post-employment benefits, are to be measured. Instead of the current method of employing management's best estimate of the effect of future events, future benefits are now measured using market interest rates on high quality debt instruments. In addition, certain other retirement and post-employment benefits, currently funded on a cash basis, must be accounted for an accrual basis in fiscal 2001. The annual benefit expense will depend on a number of market-driven variables outside the control of the Company, such as interest rates, future medical, health care cost trend rates, benefit plan changes and inflation rates.

Section 3465 will change the accepted method of accounting for income taxes from the deferred to the asset liability method. Under the new method, future income taxes are recognized for the temporary differences between the tax and accounting bases of the Company's assets and liabilities based on expected income tax rates and laws that are in effect during periods expected to be affected by these temporary changes.

The Company intends to adopt both standards retroactively without restatement of prior periods.

RISK AND RISK MANAGEMENT Empire carries on operating business in its Food Distribution and in its Real Estate operations, each having its own risk profile and risk management strategy.

Empire's Food Distribution business, which includes retail, franchised retail and foodservice operations, is effectively diversified geographically. This ensures a balance of earnings should competition in a particular region intensify or the outlook for an area change. Management is committed to controlling operating risks by operating across a broad geographical base in Canada; through continual innovation (store format and positioning; private brand development; customer loyalty initiatives); and through the realization of lower costs from increasing economics of scale.

Empire's Food Distribution business utilizes a variety of store formats and store banners in order to ensure the optimum fit to each market area. By having operations across Canada through 419 corporate stores, and 952 franchised stores, by servicing thousands of independent accounts, and through vertical integration of certain operations, our Food Distribution division has effectively minimized its exposure to regional economic risk.

Empire's Real Estate operations generate a stable source of income from tenant rent payments. Continued growth of rental income is dependent on renewing expiring leases and finding new tenants to fill vacancies at rental rates which will ensure an attractive return on our investment. The success of the real estate portfolio is subject to general economic conditions, the supply and demand for rental property in key markets served, and the availability of attractive financing to expand the real estate portfolio where deemed prudent. During fiscal 2000, our Real Estate operations encountered relatively positive economic conditions in our key markets served and a relative lack of new rental space resulted in improved rental rates.

Empire's Board of Directors has approved a formal debt management policy, which details certain directives to ensure that prudent financial management is adhered to. The Board has also approved a hedge policy for the use of defensive interest rate and currency risk management instruments. This policy also has established guidelines regarding counterparty risk. In the ordinary course of managing its debt, Empire has entered into various financial instruments, which are not reflected on the balance sheet, to reduce or eliminate exposure to interest rate risks. Interest rate swaps, caps, collars and forward rate contracts are used to hedge or reduce the exposure to floating interest rate movements. At April 30, 2000, \$75 million in short term obligations were covered by such instruments with maximum interest rates ranging from 4.935% to 5.50% and having maturity dates from August 1, 2000 to October 5, 2000.

Concerning long-term debt management for the Food Distribution operation, Sobeys Inc. has entered into various interest rate and currency swaps, which are not reflected on the balance sheet. The effect of these swaps is to fix the interest rate the Company pays on its long-term debt.

To reduce the foreign exchange risk associated with our investment in US based Hannaford Bros. Co., the Company has entered into various currency collars to hedge or reduce exposure to a stronger Canadian dollar relative to the US dollar. The Company has also hedged its currency risk by entering into certain short term borrowing by availing US banker's acceptances. At April 30, 2000, currency collars covered US\$250 million, and US\$69 million was availed by US bankers' acceptance short-term obligations.

Empire's operating companies regularly complete a comprehensive environmental compliance report and the Company is not aware of any significant environmental liabilities. All operating companies are self-insured for limited risks while maintaining comprehensive loss prevention and management programs to mitigate retained risks. The range of non-insured related risk exposure is not expected to be material to the overall operations of the Company.

Subsequent to year-end, on June 15, 2000, 16 independent IGA franchisees in Ontario filed a Statement of Claim against a subsidiary company, Sobeys Inc., in connection with an alleged breach of franchise agreements between these 16 dealers and The Oshawa Group Limited claiming damages in the aggregate amount of approximately \$262 million. The alleged breaches related to franchisee agreements date back to 1979 and all cases predate Sobeys' acquisition of Oshawa. Management's current assessments of these claims is that they are without merit and that the impact of both the commencement of the action and its eventual outcome on future profitability of Sobeys operations are negligible. No provision for these claims has been made in the Company's financial statements. It should be noted that Sobeys recently negotiated a new IGA franchise agreement for Ontario, which has been embraced by the vast majority of the 145 independent IGA franchisees in that province. By incorporating lower costs and incentive driven targets for Sobeys and our franchisees, the agreement is designed to enhance the sales and profitability of both parties.

No significant year 2000 problems have been encountered with the Company and its subsidiaries internal systems and equipment.


Certain forward-looking statements are included in this annual report relating to capital expenditures, cost reduction and operating performance. Such statements are subject to inherent uncertainties and risks, including but not limited to: business and economic conditions generally in the Company's operating regions; pricing pressures and other competitive factors; results of the Company's ongoing efforts to reduce costs; the ability to continue to achieve integration savings from the Sobeys/Oshawa merger; and the availability and terms of financing. Consequently, actual results and events may vary significantly from those included in or contemplated or implied by such statements.

OUTLOOK Management has projected stronger financial performance in fiscal 2001, primarily as a result of continued growth in contribution from the food distribution business, along with effective deployment of proceeds from the pending sale of Hannaford. We have assumed the continuation of intense competition in our budget and have factored in conservative cost of capital assumptions. We are committed to achieving sustainable growth in economic value added in all our businesses and will continue to focus on our strengths to build an even stronger Empire.

Management's Responsibility for Financial Reporting

Preparation of the consolidated financial statements accompanying this annual report and the presentation of all other information in the report is the responsibility of management. The financial statements have been prepared in accordance with appropriate and generally accepted accounting principles and reflect management's best estimates and judgements. All other financial information in the report is consistent with that contained in the financial statements.

The Board of Directors, through its Audit Committee, oversees management in carrying out its responsibilities for financial reporting and systems of internal control. The Audit Committee, which is chaired by and includes a majority of non-management directors, meets regularly with financial management and external auditors to satisfy itself as to reliability and integrity of financial information and the safeguarding of assets. The Audit Committee reports its findings to the Board of Directors for consideration in approving the annual financial statements to be issued to shareholders. The external auditors have full and free access to the Audit Committee.



Paul D. Sobey
President and Chief Executive Officer
June 29, 2000




Paul V. Beesley
Senior Vice President,
Chief Financial Officer and Secretary
June 29, 2000

Auditors' Report

TO THE SHAREHOLDERS OF EMPIRE COMPANY LIMITED We have audited the consolidated balance sheets of Empire Company Limited as at April 30, 2000 and 1999, and the consolidated statements of earnings, retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at April 30, 2000 and 1999, and the results of its operations and its cash flows for the years then ended in accordance with generally accepted accounting principles.



New Glasgow, Nova Scotia
June 29, 2000

Chartered Accountants

Consolidated Balance Sheet

<i>April 30 (in thousands)</i>	2000	1999
ASSETS		
CURRENT		
Cash	\$ 54,250	\$ 72,050
Receivables	487,767	404,075
Income taxes recoverable	18,161	—
Inventories	492,531	471,553
Prepaid expenses	55,094	37,160
Investments, at cost (quoted market value \$14,970; 1999 \$30,135)	13,840	24,981
	1,121,643	1,009,819
Investments, at equity (quoted market value \$1,151,089; 1999 \$727,062) (Note 2)	391,838	359,390
Current assets and marketable investments	1,513,481	1,369,209
Property and equipment (Note 5)	1,740,348	1,689,656
Deferred income taxes	—	5,086
Other assets (Note 6)	917,258	959,547
	\$ 4,171,087	\$ 4,023,498
LIABILITIES		
CURRENT		
Bank loans and notes payable (Note 7)	\$ 589,120	\$ 435,613
Payables and accruals	1,173,877	1,050,688
Income taxes payable	—	6,958
Long term debt due within one year	92,775	93,892
	1,855,772	1,587,151
Long term debt (Note 8)	1,323,700	1,392,435
Deferred revenue	16,643	19,421
Minority interest	312,572	286,809
Deferred income taxes	59,632	—
	3,568,319	3,285,816
SHAREHOLDERS' EQUITY		
Capital stock (Note 9)	212,096	285,140
Retained earnings	360,268	425,822
Foreign currency translation (Note 1)	30,404	26,720
	602,768	737,682
	\$ 4,171,087	\$ 4,023,498

See accompanying notes to the consolidated financial statements.

On behalf of the Board



Director



Director

Consolidated Statement of Retained Earnings

<i>Year Ended April 30 (in thousands)</i>	2000	1999
Balance, beginning of year	\$ 425,822	\$ 305,422
Net earnings	86,812	134,950
	512,634	440,372
Dividends paid		
Preferred shares	1,697	1,880
Common shares	10,419	10,241
Excess of purchase price paid over average paid-up value of common shares purchased for cancellation	140,000	-
Costs of purchasing common shares for cancellation	250	-
Share issue costs, net of tax	-	2,429
	152,366	14,550
Balance, end of year	\$ 360,268	\$ 425,822

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Earnings

<i>Year Ended April 30 (in thousands except per share amounts)</i>	2000	1999
Revenue	\$11,164,495	\$ 6,377,651
Cost of sales, selling and administrative expenses	10,707,133	6,098,147
	457,362	279,504
Depreciation	121,416	93,878
	335,946	185,626
Investment income (Note 10)	38,233	37,287
Operating income	374,179	222,913
Interest expense		
Long term debt	128,896	91,340
Short term debt	30,615	21,039
	159,511	112,379
	214,668	110,534
Gain on sale of investments and properties	3,041	37,815
	217,709	148,349
Dilution gain on issue of common shares by subsidiary	-	79,887
Restructuring charges, food distribution segment	-	(85,143)
	217,709	143,093
Income taxes (Note 11)		
Restructuring charges	-	(38,017)
Other operations	80,543	48,657
	80,543	10,640
	137,166	132,453
Minority interest		
Restructuring charges	-	(18,015)
Other operations	38,295	9,531
	38,295	(8,484)
Earnings before goodwill amortization	98,871	140,937
Goodwill amortization (Note 1)	12,059	5,987
Net earnings	\$ 86,812	\$ 134,950
Earnings per share (Note 4)	\$ 2.25	\$ 3.55

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Cash Flows

<i>Year Ended April 30 (in thousands except per share amounts)</i>	2000	1999
Cash provided by (used for) operations		
Net earnings	\$ 86,812	\$ 134,950
Items not affecting cash (<i>Note 12</i>)	211,865	28,422
Payment of preferred dividends	(1,697)	(1,880)
Operating cash flow before restructuring charges	296,980	161,492
Restructuring charges	-	(85,143)
Net change in other current items	(24,534)	226,821
	272,446	303,170
Cash provided by (used for) financing		
Net increase in bank loans	153,507	149,081
Net increase (decrease) in construction loans	1,466	(595)
Proceeds from issue of long term debt	95,153	945,943
Repayment of long term debt	(166,471)	(232,514)
Redemption of preferred shares	-	(5,000)
Purchase of Non-Voting Class A Shares for cancellation	(215,209)	-
Receipt of deferred revenue	-	13,200
Issue of Non-Voting Class A shares, net of costs	2,384	58,966
Payment of common dividends	(10,419)	(10,241)
	(139,589)	918,840
Total cash available	132,857	1,222,010
Cash used for (provided by) investments		
Acquisition of The Oshawa Group Limited, net of issue of common shares by subsidiary and net of cash acquired	-	1,082,452
Purchase of property, equipment and other assets	246,727	276,044
Proceeds from sale of property	(85,361)	(11,429)
Long term investments and advances	-	5,707
Net decrease in short term investments	(10,709)	(174,546)
Total cash used	150,657	1,178,228
Increase (decrease) in cash	(17,800)	43,782
Cash, beginning of year	72,050	28,268
Cash, end of year	\$ 54,250	\$ 72,050
Operating cash flow per share before restructuring charges (<i>Note 4</i>)	\$ 7.86	\$ 4.31

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

April 30, 2000 (in thousands except share capital)

1. ACCOUNTING POLICIES

Principles of consolidation These consolidated financial statements include the accounts of the Company and all subsidiary companies. Investments in which the company has significant influence are accounted for by the equity method. Investments in real estate joint ventures are consolidated on a proportionate basis.

The excess of cost over net assets acquired for equity accounted investments is amortized to income on a straight-line basis up to 40 years.

Depreciation The sinking fund method is used to record depreciation of the real estate buildings, calculated as an amount which, compounded annually at the rate of 5%, will fully amortize the cost of the buildings over their estimated useful lives ranging from 20 to 50 years. Deferred leasing costs are amortized over the terms of the related leases and included in operating expenses.

Depreciation of other property and equipment is recorded on a straight-line basis over the estimated useful lives of the assets as follows:

Equipment	3 – 10 years
Building	15 – 40 years
Leasehold improvements	7 – 10 years

Capitalization of costs *A) Construction projects* Certain subsidiary companies and joint ventures capitalize interest during the construction period until the project opening date. The amount of interest capitalized to construction in progress in the current year was \$796 (1999 – \$391).

B) Rental properties Certain subsidiaries and joint ventures capitalize the direct carrying and operating costs applicable to the unleased areas of each new project for a reasonable period from the project opening date until a certain level of occupancy is reached.

C) Land held for future development A subsidiary company capitalizes interest and real estate taxes to the extent that they relate to properties for immediate development. No amounts were capitalized in 2000 or 1999. The carrying costs on the balance of properties held for future development are expensed as incurred.

Cost of financing The direct costs of debt financing are being amortized over the terms of the related debt.

Goodwill Goodwill represents the excess of the purchase price of the business acquired over the fair value of the underlying net tangible assets acquired at the date of acquisition. Goodwill is amortized on a straight-line basis over its estimated life of 40 years. Goodwill amortization is net of income tax recovery of \$648 and minority interest of \$7,305 (1999 income taxes of \$422 and minority interest of \$3,433).

The company evaluates the carrying value of goodwill for possible impairment by considering whether the

amortization of the goodwill balance over the remaining life can be recovered through undiscounted future operating cash flow of the acquired operations.

Inventories Warehouse inventories are valued at the lower of cost and net realizable value with cost being substantially determined on a first-in, first-out basis. Retail inventories are valued at the lower of cost and net realizable value less normal profit margins as determined by the retail method of inventory valuation.

Leases Leases meeting certain criteria are accounted for as capital leases. The imputed interest is charged against income and the capitalized value is depreciated on a straight-line basis over its estimated useful life. Obligations under capital leases are reduced by rental payments net of imputed interest. All other leases are accounted for as operating leases with rental payments being expensed as incurred.

Oil and gas properties and exploration costs The Company follows the full cost method of accounting for its exploration and production activities. All costs of exploring for and developing oil and gas reserves are capitalized, net of government grants, and charged to operations over the life of estimated future production (proved reserves) on the unit-of-production method.

Deferred revenue Deferred revenue consists of a long term purchase agreement and rental revenue arising from the sale of subsidiaries. Deferred revenue is being taken into income over the term of the related agreement and leases.

Foreign currency Assets and liabilities of self-sustaining foreign investments are translated at exchange rates prevailing at the balance sheet date. The revenues and expenses are translated at average exchange rates prevailing during the year. The gains and losses on translation are deferred and included as a separate component of shareholders' equity titled "foreign currency translation."

Exchange gains or losses on monetary items identified as a hedge against long term foreign denominated investments are charged to "foreign currency translation" in shareholders' equity.

Development and store opening expenses Development and opening expenses of new stores, store conversions and new warehouses are written off during the first year of operation.

Information systems development costs Costs directly attributable to the development of core information system projects are capitalized and amortized over the estimated useful life of seven years. As at April 30, 2000 these costs were included in property and equipment in the amount of \$74,681. Amortization of certain of these costs will begin effective May 2000.

Accounting estimates The preparation of consolidated financial statements in conformity with generally accepted

accounting principles requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. These estimates are based on management's best knowledge of current events and actions that the Company may undertake in the future.

2. SALE OF HANNAFORD BROS. CO.

Under an agreement dated August 17, 1999 the Company has agreed to sell the Hannaford Bros. Co. investment in exchange for 11,666,666 Class A common shares of Delhaize America Inc. and cash of \$508,067 US. At April 30, 2000, the value of the proceeds would be approximately \$1,057,000. It is anticipated that this sale will close before August 1, 2000.

3. ACQUISITION OF THE OSHAWA GROUP LIMITED

During the 1999 fiscal year all the shares of The Oshawa Group Limited ("Oshawa") were purchased by Sobeys Inc. ("Sobeys"), the company's food distribution and foodservice subsidiary. Consideration for the purchase was \$1,137,819 cash and 21,252,502 shares of Sobeys valued at \$379,888. This acquisition has been accounted for by the purchase method under which results from operations of Oshawa, since the date of acquisition, have been included in the financial statements. Details of the acquisition are as follows:

Fair value of identifiable assets acquired	\$ 1,494,543
Less identifiable liabilities assumed	713,044
Fair value of identifiable net assets acquired	781,499
Goodwill	736,208
Total purchase consideration	\$ 1,517,707
Consideration representing	
Cash	\$ 1,137,819
Common shares of subsidiary	379,888
	\$ 1,517,707

\$24,406 of the cash consideration was represented by shares owned at April 30, 1998.

The shares of Sobeys valued at \$379,888 had a book value of \$300,001 resulting in a gain of \$79,887 which is included in earnings for the 1999 fiscal year.

4. EARNINGS AND CASH FLOW PER SHARE

Earnings and cash flow per share amounts are calculated on the weighted average number of shares outstanding (2000 – 37,786,000 shares; 1999 – 37,502,000 shares) after providing for preference share dividends accrued to the balance sheet date. Fully diluted earnings per share have been calculated on the assumption that all the outstanding stock options were exercised at the beginning of the year.

Earnings applicable to common shares is comprised of the following:

	2000	1999
Earnings before income taxes, gain on dilution, restructuring charges, minority interest and goodwill amortization	\$ 217,709	\$ 148,349
Income taxes on other operations	80,543	48,657
	137,166	99,692
Preferred share dividends and minority interest	39,992	11,411
	97,174	88,281
Goodwill amortization	12,059	5,987
Earnings applicable to common shares	\$ 85,115	\$ 82,294
Earnings per share is comprised of the following:		
Earnings before certain items	\$ 2.57	\$ 2.35
Dilution gain and restructuring charges	–	1.35
Earnings before goodwill amortization	2.57	3.70
Goodwill amortization	(0.32)	(0.15)
Net earnings per share	\$ 2.25	\$ 3.55
Fully diluted earnings per share	\$ 2.25	\$ 3.53
Other cash flow information		
Net interest paid	\$ 166,099	\$ 107,805
Net income taxes paid	\$ 40,298	\$ 51,150

5. PROPERTY AND EQUIPMENT

	Cost	Accumulated Depreciation	2000 Net Book Value	1999 Net Book Value
Real estate segment				
Land	\$ 115,188	\$ -	\$ 115,188	\$ 108,651
Land held for future development	8,862	-	8,862	9,139
Buildings	831,330	136,843	694,487	668,897
	955,380	136,843	818,537	786,687
Food distribution and other				
Land	83,511	-	83,511	93,880
Land held for future development	60,030	-	60,030	60,151
Buildings	338,279	98,401	239,878	257,019
Information systems development costs	74,681	-	74,681	47,290
Equipment	1,079,289	709,978	369,311	358,044
Leasehold improvements	191,683	102,309	89,374	82,278
Assets under capital leases	8,238	3,212	5,026	4,307
	1,835,711	913,900	921,811	902,969
Total	\$ 2,791,091	\$ 1,050,743	\$ 1,740,348	\$ 1,689,656

6. OTHER ASSETS

	2000	1999
Mortgages and loans	\$ 103,632	\$ 144,633
Goodwill (less accumulated amortization of \$45,085, 1999 - \$25,073)	720,653	740,625
Deferred charges	92,973	74,289
	\$ 917,258	\$ 959,547

BANK LOANS AND NOTES PAYABLE

7. As security for certain bank loans, the Company has provided an assignment of certain marketable securities and, in certain divisions and subsidiaries, general assignments of receivables and leases, first floating charge debentures on assets and the assignment of proceeds of fire insurance policies.

Under the terms of a subsidiary's credit agreement entered into between the Company and a banking syndicate arranged by the Bank of Nova Scotia, a revolving term credit facility was established. This facility will expire on December 6, 2000, however various provisions of the agreement provide the Company with the ability to extend the facility for a minimum period of two years. Interest is payable on this facility at rates which fluctuate with changes in the bankers' acceptance rate and the prime rate as applicable. As security for this facility and the secured bank loan provided under the credit agreement, the Company has provided a fixed and floating charge over all assets, subject to permitted encumbrances, a general assignment of book debts and the assignment of proceeds of insurance policies.

In the ordinary course of managing its debt, the Company uses various financial instruments, which are not reflected on the balance sheet, to reduce or eliminate exposure to interest rate and foreign currency risks. Interest rate swaps, caps, collars and forward contracts are used to hedge or reduce the exposure to floating interest rates and foreign currency fluctuations associated with short-term obligations. At April 30, 2000, \$75,000 in short-term obligations were covered by such instruments with maximum interest rates from 4.93% to 5.50% having maturity dates from August 1, 2000 to October 5, 2000.

Loans of \$69,712 US have been designated as a hedge against a US long term investment.

8. LONG TERM DEBT

	Real Estate Segment	Food Distribution and Foodservice	2000 Total	1999 Total
First mortgage loans, average interest rate 9.7%, due 2000–2024	\$ 401,633	\$ 36,254	\$ 437,887	\$ 389,052
Secured loans, average interest rate 7.9%, due December 9, 2005	–	691,490	691,490	800,000
Debentures, average interest rate 10.7%, due 2002–2016	89,665	102,775	192,440	202,616
Notes payable and other debt at interest rates fluctuating with the prime rate	49,246	21,477	70,723	69,710
	540,544	851,996	1,392,540	1,461,378
Construction loans at interest rates fluctuating with the prime rate	13,307	–	13,307	11,842
Capital lease obligations, due 2001–2009, net of imputed interest	–	10,628	10,628	13,107
	553,851	862,624	1,416,475	1,486,327
Less amount due within one year	20,491	72,284	92,775	93,892
	\$ 533,360	\$ 790,340	\$ 1,323,700	\$ 1,392,435

The company has fixed the interest rate on \$10,000 of its long term bank operating line at 6.84% by utilizing an interest exchange agreement for 3 years. The company has fixed the interest rate on \$104,600 of its long term debt at 8.0% for 2 years and has fixed the interest rate on \$586,900 of its long term debt at 7.9% for 5 years by utilizing interest exchange agreements.

As security for certain construction loans, the Company has provided a first charge on land and buildings under construction. These loans become due for refinancing at various dates in 2000. It is intended that these loans will be refinanced by long term borrowings.

Long term debt is secured by land and buildings, specific charges on certain assets and additional security as described in Note 7. Debt retirement payments and capital lease obligations in each of the next five fiscal years are:

	Long term Debt	Capital Leases
2001	\$ 90,903	\$ 1,872
2002	137,695	1,808
2003	118,585	1,463
2004	127,254	1,378
2005	116,570	1,071

Operating leases The aggregate, annual, minimum rent payable under operating leases by the Company and subsidiaries is approximately \$142,000.

9. CAPITAL STOCK

Authorized	Number of Shares
Preferred shares, par value of \$25 each, issuable in series as a class. Series 2 cumulative, redeemable, rate of 75% of prime. Series 3 cumulative, redeemable, rate 8%.	34,261,305
Non-voting Class A shares, without par value	136,583,367
Class B common shares, without par value, voting	20,400,000

	2000		1999	
Issued and outstanding	No. of Shares		No. of Shares	
Preferred shares, Series 2	976,900	\$ 24,422	976,900	\$ 24,422
Preferred shares, Series 3	262,352	6,559	262,352	6,559
Non-voting Class A	15,325,929	178,865	21,684,406	251,440
Class B common	17,448,728	7,748	17,448,728	7,748
		217,594		290,169
Loans receivable from employees and directors under share purchase plan		(5,498)		(5,029)
		\$ 212,096		\$ 285,140

In 1999, the Company purchased for cancellation 200,000 of its Series 2 preferred shares for \$4,960.

During the year, the Company purchased 6,478,750 Non-Voting Class A shares. The purchase price was \$215,209 including \$250 of costs. \$140,250 of the purchase price was charged to retained earnings.

On March 11, 1999 the Company issued 2,000,000 Non-Voting Class A shares for \$58,000 cash. Issue costs were \$2,429 net of income tax recovery of \$241.

During the year 63,004 (1999 – 35,000) options were exercised resulting in 63,004 (1999 – 35,000) Non-Voting Class A shares being issued for \$826 (1999 – \$459). Options allow holders to purchase Non-Voting Class A shares at \$13.11 per share. Options expire at dates from June 2000 to October 2006. There were 123,875 options outstanding at April 30, 2000.

During the year 57,269 (1999 – 113,500) Non-Voting Class A were issued under the Company's share purchase plan to certain officers and employees for \$1,558 (1999 – \$2,936), the average trading price of the non-voting Class A shares on the Toronto Stock Exchange for the five previous trading days.

Loans receivable from officers and employees of \$5,498 (1999 – \$5,029) under the Company's share purchase plan are classified as a reduction of Shareholders' Equity. Loan repayments will result in a corresponding increase in Share Capital. The loans are non-interest bearing and non-recourse, secured by 277,831 (1999 – 311,193) Non-Voting Class A shares. Market value of the shares at April 30, 2000 was \$8,918 (1999 – \$8,247).

Under certain circumstances, where an offer (as defined in the share conditions) is made to purchase Class B common shares, the holders of the Non-Voting Class A shares shall be entitled to receive a follow-up offer at the highest price per share paid, pursuant to such offer to purchase Class B common shares.

10. INVESTMENT INCOME

	2000	1999
Dividend and interest income	\$ 345	\$ 3,190
Share of income of companies accounted for by the equity method	37,888	34,097
	\$ 38,233	\$ 37,287

11. INCOME TAXES

The effective rate of corporate income taxes is different than statutory rates as a result of certain items not being deductible for income tax purposes, the income from companies accounted for by the equity method and receipt of dividends which are not taxable, and the large corporation tax of \$3,917 (1999 – \$3,131).

12. ITEMS NOT AFFECTING CASH

	2000	1999
Depreciation	\$ 121,416	\$ 93,878
Goodwill amortization	20,012	9,842
Deferred income taxes	64,718	(2,084)
Amortization of deferred items	8,288	(846)
Equity in earnings of other companies, net of dividends received	(28,332)	(24,988)
Minority interest	25,763	4,823
Dilution gain on issue of common shares by subsidiary	-	(79,887)
Restructuring charges, net of taxes of \$38,017 and minority interest of \$18,015	-	29,111
Gain on sale of oil and gas properties, net of income taxes of \$2,771	-	(3,830)
Reduction of book value of real estate assets, net of income taxes of \$1,954	-	2,403
	\$ 211,865	\$ 28,422

REAL ESTATE JOINT VENTURES

- 13.** The financial statements include the Company's proportionate share of the accounts of incorporated and unincorporated real estate joint ventures. A summary of these amounts is as follows:

	2000	1999
Assets	\$ 14,594	\$ 16,264
Liabilities	\$ 632	\$ 2,066
Equity and advances	13,962	14,198
	\$ 14,594	\$ 16,264
Revenues	\$ 4,148	\$ 3,043
Expenses	2,330	2,166
Income before income taxes	\$ 1,818	\$ 877
Cash provided (used)		
Operating activities	\$ 3,428	\$ (655)
Financing activities	(1,280)	1,032
	\$ 2,148	\$ 377

14. SEGMENTED INFORMATION

	2000	1999
Revenues		
Food		
Food distribution	\$ 8,936,259	\$ 5,173,516
Foodservice	2,069,890	1,058,322
	11,006,149	6,231,838
Real estate		
Outside	112,351	107,750
Inter-segment	44,709	40,275
	157,060	148,025
Other operations	45,995	38,063
	11,209,204	6,417,926
Elimination	(44,709)	(40,275)
	\$11,164,495	\$ 6,377,651
Operating income		
Food		
Food distribution	\$ 231,785	\$ 103,477
Foodservice	33,801	17,602
	265,586	121,079
Real estate	70,071	65,061
Other operations	5,730	4,455
Investment income	38,233	37,287
Corporate expenses	(5,441)	(4,969)
	\$ 374,179	\$ 222,913
Identifiable assets		
Food		
Food distribution	\$ 1,776,427	\$ 1,752,669
Foodservice	365,994	377,644
Goodwill	714,871	734,335
	2,857,292	2,864,648
Real estate	846,584	728,553
Investments	405,678	384,371
Other	61,533	45,926
	\$ 4,171,087	\$ 4,023,498
Depreciation		
Food		
Food distribution	\$ 86,529	\$ 64,915
Foodservice	11,526	7,500
	98,055	72,415
Real estate	19,914	18,275
Corporate and other	3,447	3,188
	\$ 121,416	\$ 93,878
Capital expenditure		
Food		
Food distribution	\$ 171,057	\$ 199,547
Foodservice	14,715	16,680
	185,772	216,227
Real estate	52,666	55,717
Corporate and other	8,289	4,100
	\$ 246,727	\$ 276,044

The Company operates principally in three business segments: food distribution, foodservice and real estate. The food distribution segment consists of distribution of food products in Canada. The foodservice segment supplies the institutional, chain and independent restaurant markets in Canada. The real estate segment consists of development, rental and management of shopping centres and office buildings located principally in the Atlantic Provinces. Intersegment transactions are at market values.

FINANCIAL INSTRUMENTS

- 15. Interest rate contracts** The Company has entered into certain interest rate agreements as outlined in Notes 7 and 8. The face value of the interest rate agreements approximates their value as calculated by referring to prevailing interest rates at April 30, 2000.

Foreign exchange contracts The Company utilizes financial instruments which are not reflected on the balance sheet, to reduce foreign exchange risks on its US long term investment. At April 30, 2000, \$250,000 US (1999 – \$250,000 US) was covered by such instruments with \$50,000 maturing in 2000, \$50,000 maturing in 2001 and \$150,000 maturing in 2002. The fair value of the foreign exchange agreements represents the amount that the Company would pay or receive to terminate the agreements. At April 30, 2000, the estimated payout on termination is \$15,700 US (1999 \$13,800 US) based on market conditions.

The Company utilizes financial instruments which are not reflected on the balance sheet to reduce foreign exchange risks on its US long term debt. At April 30, 2000, \$186,800 US was covered by such instruments with \$43,200 US maturing in 2002 and \$143,600 US maturing in 2005. The fair value of the foreign exchange agreements represents the amount the Company would pay or receive to terminate the agreements. At April 30, 2000, the estimated receipt on termination is \$2,900 based on market conditions.

All the financial instrument contracts noted above are with Canadian Schedule 1 Banks.

Credit risk There is no significant concentration of credit risk. The credit risk exposure is considered normal for the business.

Other financial instruments The book value of cash, payables and accruals, receivables, income taxes recoverable, bank loans and notes payable approximate fair values as at April 30, 2000. The fair value of investments at cost and investments at equity is \$1,166,059 (1999 – \$757,000) as noted on the Consolidated Schedule of Investments. The total fair value of long term debt is estimated to be \$1,451,000 (1999 – \$1,625,000). The fair value of variable rate long term debt is assumed to approximate its carrying amount. The fair value of other long term debt has been estimated by discounting future cash flows at a rate currently offered for debt of similar maturities and credit quality.

PENSION PLAN

- 16.** The company's subsidiaries maintain a defined contribution plan and a number of defined benefit pension plans. Current actuarial estimates indicate the pension benefits under the defined benefit plan at April 30, 2000 are \$167,975 and the pension fund assets, using the moving average market value, are \$185,768.

RESTRUCTURING AND INTEGRATION CHARGE

- 17.** Subsequent to the acquisition of The Oshawa Group Limited on November 30, 1998, Sobeys Inc. commenced a comprehensive review of its strategic direction, facilities and staffing levels of all operations of the combined organizations. This integration initiative was undertaken to create operating efficiencies, cost savings and revenue enhancement opportunities. This project, which was substantially completed in April 1999, brought together the operating groups of both business units and generated a new business plan for the future. In connection with the integration initiative, the Company recorded an \$85,143 charge (\$29,111 after tax and minority interest) in the fourth quarter of fiscal 1999 for restructuring and integration. The amount remaining in liabilities as at April 30, 2000 is \$56,500 (1999 – \$69,200).

Foodservice Segment \$45,200 of the restructuring and integration charge related to the Foodservice segment and involved the rationalization of operations and modernization of the distribution supply network. These activities commenced in late 1999 and will continue in 2001. The charge to exit these activities was comprised of severance and other obligations to employees, lease commitments for closed locations and other charges.

Food Distribution Segment The remaining charge of \$39,900 related to the Food Distribution segment. The rationalization of Ontario operations accounted for the majority of this charge. It included severance and other obligations to employees and other charges resulting from the closure of 17 marginal stores in Ontario, the franchising of 56 corporate owned stores and the streamlining of certain department operations in Ontario. These activities commenced in late 1999 and will continue in 2001. The remaining charge for the Food Distribution segment included severance and other costs associated with the roll out of Sobeys' common information systems across acquired business units.

CONTINGENT LIABILITIES

- 18. Guarantees and commitments** At April 30, 2000 a subsidiary company was contingently liable for letters of credit issued in the aggregate amount of \$27,500.

A subsidiary company has guaranteed the reimbursement of certain bank loans contracted by its franchisees. As at April 30, 2000, these loans amounted to approximately \$23,300.

Legal proceedings Subsequent to year end a subsidiary company, Sobeys Inc., received notice that a Statement of Claim had been filed against it and its subsidiary, Sobeys Capital Inc., by 16 of its independent IGA retail dealers in the Province of Ontario. The legal action is in connection with an alleged breach of franchise agreements between these 16 dealers and the former Oshawa Group Limited and claims damages of up to \$262,000 for breach of contract, general and punitive damages. Sobeys Inc. purchased all of the outstanding shares of The Oshawa Group Limited in December 1998 and January 1999, and completed an amalgamation of The Oshawa Group Limited and Sobeys Capital Inc. in May 1999. Sobeys disagrees with each of the claims raised by the 16 independent IGA dealers in the Statement of Claim and believes that this action is frivolous and without merit; therefore no provision for these claims has been made in its financial statements.

SUBSEQUENT EVENT

19.

A subsidiary company has restructured its debt and credit facilities as follows:

- a) On June 22, 2000 a short form prospectus was filed providing for the issuance of up to \$500,000 of unsecured medium term notes.
- b) The Company received \$210,000 in cash proceeds from an accounts receivable securitization which will be applied against existing debt.
- c) The Company negotiated a new unsecured \$550,000 credit facility consisting of \$250,000 of non-revolving debt to be repaid over 5 years plus a \$300,000 revolving line of credit.

COMPARATIVE FIGURES

20.

Comparative figures have been reclassified, where necessary, to reflect the current year's presentation.

Consolidated Schedule of Investments

<i>April 30, 2000</i>	Number of	Realizable
Company	Shares	Value (in thousands)
LONG TERM INVESTMENTS		
Hannaford Bros. Co. (Note 2)	10,418,565	\$ 1,116,060
Wajax Limited	7,452,994	35,029
Investments at equity		1,151,089
CURRENT INVESTMENTS		
Listed investments		11,909
Unlisted investments, at cost		3,061
		14,970
		\$ 1,166,059

Realizable value is the quoted market value for shares listed on a recognized stock exchange, and cost which is less than fair market value, for other investments.

Eleven-Year Financial Review

(Years ended)	2000	1999	1998	1997	1996	1995	1994	1993	1992	1991	1990
Operations (\$ in millions)											
Revenue	11,164.5	6,377.7	3,320.0	3,149.7	2,915.2	2,699.5	2,577.4	2,358.4	2,235.5	2,087.9	1,803.7
Cost of sales, selling and administrative expenses	10,707.1	6,098.2	3,127.1	2,971.9	2,746.0	2,521.5	2,409.9	2,209.6	2,101.4	1,959.7	1,689.1
	457.4	279.5	192.9	177.8	169.2	178.0	167.5	148.8	134.1	128.2	114.6
Depreciation	121.4	93.9	68.6	63.6	59.1	55.5	49.9	44.1	39.6	33.9	28.7
Operating income before investment income	336.0	185.6	124.3	114.2	110.1	122.5	117.6	104.7	94.5	94.3	85.9
Investment income	38.2	37.3	41.3	35.6	32.7	30.1	27.0	27.6	21.1	28.1	28.4
Operating income	374.2	222.9	165.6	149.8	142.8	152.6	144.6	132.3	115.6	122.4	114.3
Gain (loss) on sale of properties and investments	3.0	37.8	6.5	1.4	2.1	(2.8)	5.4	1.7	0.2	0.8	-
Earnings before interest expense and income taxes	377.2	260.7	172.1	151.2	144.9	149.8	150.0	134.0	115.8	123.2	114.3
Interest expense	159.5	112.4	76.7	79.2	87.7	89.3	81.4	73.4	76.1	76.8	68.6
Income taxes	80.5	48.6	25.1	16.9	13.7	16.8	19.4	15.6	11.0	12.0	10.4
Minority interest	38.3	9.5	-	0.4	0.5	0.5	0.5	0.3	1.5	2.7	3.3
Earnings from continuing operations, before goodwill and other items	98.9	90.2	70.3	54.7	43.0	43.2	48.7	44.7	27.2	31.7	32.0
Goodwill	12.1	6.0	1.8	1.8	0.9	2.0	0.8	0.6	0.6	0.6	0.4
Other items/discontinued operations	-	50.8	19.3	-	(20.4)	-	-	(15.6)	(5.6)	(16.7)	(23.0)
Net earnings	86.8	135.0	87.8	52.9	21.7	41.2	47.9	28.5	21.0	14.4	8.6
Cash flow from operating activities	272.4	303.2	133.1	107.2	85.2	103.0	68.0	66.2	67.1	38.2	58.0
Capital expenditures	246.7	276.0	137.5	82.7	125.7	120.1	98.1	40.5	93.0	97.5	77.4
Financial Position (\$ in millions)											
Net working capital (including marketable investments)	(342.3)	(217.9)	153.1	128.8	178.5	183.6	204.3	240.4	189.6	228.0	256.1
Property and equipment	1,740.3	1,689.7	1,069.0	1,001.9	1,004.5	968.8	909.9	714.5	720.3	673.4	583.7
Total assets	4,171.1	4,023.5	1,907.2	1,797.4	1,731.4	1,761.1	1,696.9	1,426.5	1,421.9	1,402.0	1,291.4
Long term debt (excluding current position)	1,323.7	1,392.4	616.6	606.8	656.1	648.0	633.6	514.9	472.6	430.7	386.7
Shareholders' equity	602.8	737.7	558.3	479.6	474.9	469.5	447.9	401.6	398.9	398.0	417.8
Per Share Information (\$ per share)											
Earnings from continuing operations, before goodwill and other items	2.57	2.35	1.81	1.33	0.96	0.93	1.09	0.98	0.44	0.49	0.52
Net earnings (loss)	2.25	3.55	2.33	1.33	0.41	0.93	1.09	0.52	0.28	0.01	(0.17)
Operating cash flow	7.86	4.31	2.97	2.54	2.22	2.17	2.33	2.11	1.57	1.32	1.23
Dividend paid											
Non-voting Class A Shares	0.28	0.2725	0.2425	0.22	0.215	0.20	0.20	0.18	0.16	0.16	0.16
Class B common shares	0.28	0.2725	0.2325	0.18	0.165	0.12	0.12	0.09	0.06	0.06	0.06
Book value	17.45	18.06	14.12	11.86	10.48	10.24	9.59	7.66	7.35	7.23	7.29
Financial Ratios											
Return on equity - continuing operations, before unusual items	13.0%	13.4%	13.9%	11.9%	9.3%	9.4%	12.2%	12.7%	5.9%	6.6%	7.1%
Return on equity	13.3%	21.7%	17.9%	11.9%	3.9%	9.4%	12.2%	6.8%	3.7%	0.1%	-2.3%
Share Price, Non-voting Class A Shares (\$ per share)											
High	33.95	32.55	28.50	15.70	15.75	16.50	17.75	14.75	13.75	13.50	17.50
Low	24.65	25.00	15.60	12.25	11.50	13.00	12.25	10.00	11.00	8.75	12.25
Close	32.10	26.00	27.25	15.70	12.30	13.38	16.13	14.25	12.63	11.88	12.50

Corporate and Director Information

Officers

DONALD R. SOBEY
Chairman

PAUL D. SOBEY
President and CEO

PAUL V. BEESLEY
Senior Vice President, Chief
Financial Officer and Secretary

STEWART H. MAHONEY
Vice President,
Treasury and Investor Relations

CAROL A. CAMPBELL
Vice President, Risk Management

CHESTER D. THOMPSON
Comptroller

Executive Directors

DAVID F. SOBEY⁴
New Glasgow, Nova Scotia
Director since 1963. Chairman
of Sobeys Inc. and has been with
the Company for 48 years.

DONALD R. SOBEY⁴
New Glasgow, Nova Scotia
Director since 1963. Chairman
of Empire Company Limited
and has been with the Company
for 42 years.

FRANK C. SOBEY
Stellarton, Nova Scotia
Director since 1990. Chairman
of Atlantic Shopping Centres
Limited, has been with the
Company for 22 years.

JOHN R. SOBEY
Stellarton, Nova Scotia
Director since 1979. President
and COO of Sobeys Inc., has been
with the Company for 31 years.

PAUL D. SOBEY
New Glasgow, Nova Scotia
Director since 1993. President
and CEO of Empire Company
Limited, has been with the
Company for 18 years.

ROBERT G. SOBEY
Stellarton, Nova Scotia
Director since 1998. Director,
Planning and Analysis of
Sobeys Inc., has been with
the Company for 11 years.

DOUGLAS B. STEWART
New Glasgow, Nova Scotia
Director since 1992. Vice-
Chairman and CEO of
Sobeys Inc., has been with
the Company for 10 years.

Independent Directors

JOHN BRAGG⁴
Collingwood, Nova Scotia
Director since 1999. Director and
President Oxford Frozen Foods Ltd.

SIR GRAHAM DAY^{1,5}
Hantsport, Nova Scotia
Director since 1991. Counsel to
Stewart McKelvey Stirling Scales.

ROBERT P. DEXTER^{4,6}
Halifax, Nova Scotia
Director since 1987. Chairman
and CEO of Maritime Travel
(Group) Limited.

PETER C. GODSOE²
Toronto, Ontario
Director since 1993. Chairman and
CEO of The Bank of Nova Scotia.

JAMES W. GOGAN²
New Glasgow, Nova Scotia
Director since 1972.
Corporate Director.

DR. ELIZABETH
PARR-JOHNSTON²
Fredericton, New Brunswick
Director since 1994. President
and Vice Chancellor of the
University of New Brunswick.

JAMES L. MOODY, JR.³
Cape Elizabeth, Maine
Director Since 1998.
Corporate Director

E. COURTNEY PRATT^{4,6}
Toronto, Ontario
Director since 1995. President
and CEO of Hydro One
Networks Inc.

J. WILLIAM SINCLAIR⁴
Westville, Nova Scotia
Director since 1980.
Forestry Technician.

- 1 Audit Committee Chairman
- 2 Audit Committee Member
- 3 Human Resources
Committee Chairman
- 4 Human Resources
Committee Member
- 5 Corporate Governance
Committee Chairman
- 6 Corporate Governance
Committee Member

**Directors of
Operating Companies****Sobeys Inc.
Executive Directors**

DAVID F. SOBEY
Chairman, Sobeys Inc.

DONALD R. SOBEY
Chairman,
Empire Company Limited

JOHN R. SOBEY
President and COO, Sobeys Inc.

KARL R. SOBEY
President, Atlantic Division

PAUL D. SOBEY
President and CEO,
Empire Company Limited

DOUGLAS B. STEWART
Vice-Chairman and CEO,
Sobeys Inc.

Independent Directors

JOHN L. BRAGG
President,
Oxford Frozen Foods Limited

MARCEL CÔTÉ
Senior Partner, Secor Inc.

SIR GRAHAM DAY
Counsel to Stewart McKelvey
Sterling Scales

ROBERT P. DEXTER
Chairman and CEO,
Maritime Travel (Group) Limited

HUGH G. FARRINGTON
President and CEO,
Hannaford Bros. Co.

RONALD V. JOYCE
Senior Chairman,
The TDL Group Limited

LAWRENCE N. STEVENSON
CEO, Chapters Inc.

ANNETTE VERSCHUREN
President, Home Depot Canada

**Atlantic Shopping
Centres Limited****Executive Directors**

J. STUART BLAIR
President and CEO,
Atlantic Shopping Centres Limited

DAVID F. SOBEY
Chairman, Sobeys Inc.

DONALD R. SOBEY
Chairman,
Empire Company Limited

FRANK C. SOBEY
Chairman,
Atlantic Shopping Centres Limited

JOHN R. SOBEY
President and COO, Sobeys Inc.

PAUL D. SOBEY
President and CEO,
Empire Company Limited

Independent Directors

KEN C. ROWE
Chairman and CEO,
IMP Group Ltd.

DAVID J. HENNIGAR
Chairman, Annapolis Basin Group
Incorporated

JOHN B. ROY
President, Roycom Securities Ltd.

DAVID G. GRAHAM
President,
Atlantic Developments Inc.

**Officers of Operating
Companies****Sobeys Inc.**

DAVID F. SOBEY
Chairman

DOUGLAS B. STEWART
Vice-Chairman and CEO

JOHN R. SOBEY
President and COO

ALLAN D. ROWE
Executive Vice President and CFO

KARL R. SOBEY
President,
Atlantic Division

PIERRE CROTEAU
President, Quebec Division

BRUCE WEST
President, Ontario Division

WAYNE A. WAGNER
President, Western Division

GARY H. SEAMAN
President, SERCA,
Foodservice Inc.

JOHN K. LYNN
Executive Vice President,
Planning and Development

DARREL R. EWERT
General Counsel and Secretary

**Atlantic Shopping Centres
Limited**

FRANK C. SOBEY
Chairman

J. STUART BLAIR
President and CEO

JOHN G. MORROW
Vice President,
Finance and Secretary

ALLAN K. MACDONALD
Vice President, Leasing

SCOTT R. MACLEAN
Vice President, Operations

PAUL W. WIGGINTON
Comptroller

Empire Theatres Limited

STUART G. FRASER
President and CEO

KEVIN J. MACLEOD
Vice President, Operations

Investor Information

Empire Company Limited

Head Office
115 King Street
Stellarton, Nova Scotia
B0K 1S0
Telephone: (902) 755-4440
Fax: (902) 755-6477
Internet: www.empireco.ca
www.emp-a.com

Investor Relations

For additional information
please write to the company,
c/o Stewart H. Mahoney,
Vice President, Treasury
and Investor Relations

Affiliated Company web addresses

www.sobeys.ca
www.sobeys.com
www.empiretheatres.com

Shareholders' Annual Meeting

September 7, 2000 at 11:00 a.m.
Aberdeen Cinemas
610 East River Road
New Glasgow, Nova Scotia

Stock Exchange Listings

The Toronto Stock Exchange

Stock Symbols

Non-voting Class A shares - EMP.A
Preferred shares:
Series 2 - EMP.PR.B
Series 3 - EMP.PR.C

Average Daily Trading Volume (TSE)

34,000

Common Dividend Record and Payment**Dates for Fiscal 2001***

Record Date	Payment Date
July 14, 2000	July 31, 2000
Oct. 13, 2000	Oct. 31, 2000
Jan. 15, 2001	Jan. 31, 2001
Apr. 13, 2001	Apr. 30, 2001

* subject to approval by Board of Directors

Outstanding Shares

As of July 7, 2000

Non-Voting Class A common	15,340,529
Options exercisable with Class A common shares	109,275
Class B common, voting	17,448,728

Transfer Agents

Montreal Trust Company of Canada
Telephone: (902) 420-2211
Non-voting Class A shares
Series 3 Preferred shares
CIBC Mellon Trust Company
Telephone: (902) 420-3821
Series 2 Preferred shares

Bankers

Bank of Montreal
Bank of Nova Scotia
Canadian Imperial Bank of Commerce
National Bank of Canada
Royal Bank of Canada
Toronto-Dominion Bank

Solicitors

Stewart McKelvey Stirling Scales
Halifax, Nova Scotia

Auditors

Grant Thornton, LLP
New Glasgow, Nova Scotia

Multiple Mailings

If you have more than one account, you may
receive a separate annual report for each. If
this occurs, please contact Montreal Trust at
(902) 420-2211 to eliminate the multiple mailings.

Exemplaire français

Vous pouvez obtenir un exemplaire français
de ce rapport annuel en écrivant à :
Empire Company Limited
Investor Relations
115 King Street
Stellarton, Nova Scotia
B0K 1S0

Mission Statement

- Goal:** Empire is committed to building shareholder value through long-term profitability and growth by becoming a market leader in its core operating businesses and by investing in other opportunities to augment this growth in value.
- How:** Empire will achieve this goal by treating employees in ways that create extraordinary customer service and shareholder value.
- Values:** Empire will be a good corporate citizen, upholding the highest standards of integrity and ethical conduct.

Corporate Governance

The governance of the corporation is the responsibility of Empire's Board of Directors which has three committees consisting of the Corporate Governance Committee; the Human Resources Committee; and the Audit Committee. For a more detailed review of the Company's governance practices see Empire's 2000 Management Information Circular.

Community Involvement

Empire is an active member of the communities in which it operates through the volunteer efforts of its employees and the financial support provided each year by the Sobey Foundation. The Company is a member of the Imagine corporate giving program and sponsors numerous charitable initiatives through its operating companies including the popular "Tape Saver" program and the annual "Run for the Cure" in support of breast cancer research.

Imagine  A Caring Company



Mounted Canadian Trooper, 1917

A.J. Munnings, R.A. (British 1878-1959)

Oil on canvas

It is the custom of Empire Company Limited to feature works of Canadian art, selected from the Sobey collection, in its annual reports.

Alfred James Munnings was an eccentric, prolific artist and undoubtedly the most famous British equestrian artist of the Twentieth Century. Although accidentally blinded in one eye in 1899, he was recruited into the Canadian War Memorial program in 1917. As one of the many artists commissioned to depict Canada's war effort, he shared the discomfort and danger of life at the Front to paint the men and horses of the Canadian Cavalry Brigade and the Canadian Forestry Corps of France.

The artist considered his experiences with Canadian units to have been among the most rewarding events of his life. While on the verge of fame and fortune, Munnings painted this Canadian Cavalry trooper in full military uniform, in France.

Colour reproductions of the Mounted Canadian Trooper are available in limited numbers, upon request. Please write to the company, c/o The Sobey Art Foundation or visit our web site at www.empireco.ca or www.emp-a.com.